



ACADEMIC YEAR 2025-2026, SEMESTER – VI  
STUDY MATERIAL FOR B.COM.,  
ENTREPRENUERSHIP DEVELOPMENT



**STUDY MATERIAL FOR B.COM**  
**ENTREPRENUERSHIP DEVELOPMENT**  
**SEMESTER – VI**



**ACADEMIC YEAR 2025-26**

**PREPARED BY**

**COMMERCE DEPARTMENT**



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KAMARAJ WOMENS COLLEGE



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**ENTREPRENUERSHIP DEVELOPMENT**

**Unit: 1 - Introduction to Entrepreneur**

Meaning of Entrepreneurship – Characteristics of Entrepreneurship – Types of Entrepreneurship – Self Employment – Difference between Entrepreneurship and Employment – Meaning of Entrepreneur – Traits – Classification – Functions – Entrepreneurial Scenario in India.

**Unit: II -Design Thinking**

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Process of Setting Up an Enterprise – Forms of an Enterprise – Sole Proprietorship – Partnership – Limited Liability Partnership Firm – Joint Stock Company – One Man partnership – Choice of Form of an Enterprise – Feasibility Study–Marketing, Technical, Financial, Commercial and Economical.

**Unit: IV - Business Model Canvas and Formulation of Project Report**

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**Unit: V - MSME's and Support Institutions**

Government Schemes and Women Entrepreneurship–Importance of MSME for Economic Growth – MSME – Definition – Role of Government Organizations in Entrepreneurship Development – MSMEDI–DIC–Khadi and Village Industries Commission –NSIC –NABARD,SICVI,SFC,SDC, EDII,EPCCB Industrial Estates – Government Schemes – Prime Minister Employment Generation Programme – Women Entrepreneurship in India.



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**Unit: I**

**Introduction to Entrepreneur**

**Introduction:**

Entrepreneurship is the pursuit of starting, managing, and scaling a business. It involves combining innovation, skills, and vision to develop new products, services, or ideas that meet market demand and create value for a target audience. Those who choose this path often take on financial risks and require resilience and problem-solving skills. Entrepreneurship also applies to other types of self-employment, such as online content creators and consultants.

**Meaning:**

Entrepreneurship is the creation or extraction of economic value in ways that generally entail beyond the minimal amount of risk (assumed by a traditional business), and potentially involving values besides simply economic ones.

**Characteristics Of Entrepreneurship:**

**Creativity and innovation:**

Entrepreneurship is about coming up with new and creative ideas and implementing them to achieve substantial profits. For example, service innovation could be coming up with technologies to reduce costs and increase productivity.

**Risk-taking ability:**

The willingness to bear risk is the key characteristic of entrepreneurship. Risk occurs when you implement a new idea, and it fails. Entrepreneurs take calculated risks because they enjoy the challenges that come up with implementing a new idea.

**Profit-making:**

Except for social entrepreneurship, all other types of entrepreneurship work with the sole aim of making a profit. It is the reward that entrepreneurs get for taking a risk with a new idea.

**Economic activity:**

Entrepreneurship involves creating, managing and running an organisation. Successful businesses generate employment and ensure optimum utilisation of resources to earn the maximum profit.

**Types of Entrepreneurship:**

**1. Small business entrepreneurship**

Small businesses form the backbone of India's economy and help drive innovation and job creation. These enterprises, from neighbourhood shops to emerging tech startups, contribute to the nation's GDP and drive grassroots economic growth. People may establish small business entrepreneurship ventures for profit to support their families and live a modest lifestyle. Small



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business entrepreneurs usually operate with limited customer bases and may lack innovative products or solutions, so they often fail to attract the required venture capital for smooth running. These business ventures are typically self-funded, with entrepreneurs relying on small business loans or venture capital borrowed from friends and family members. They often hire locally, employing community members or relatives. Local hairdressers, grocery shops, milk booths, plumbers, carpenters and small boutiques are examples of this type of business, highlighting the everyday role and social impact of small business owners in sustaining livelihoods.

## **2. Large company entrepreneurship**

Companies with a finite life cycle often demonstrate large company entrepreneurship. These organisations continue to grow through consistent innovation and are best suited for experienced professionals who understand how to sustain and scale innovative ideas. When you work in an established company, you are likely to be part of a broad C-level executive team. The offerings in such companies typically include different variants of their existing products built around a core solution. At times, small business entrepreneurship experiencing rapid growth can evolve into large company entrepreneurship. This can happen through acquisition by a larger firm or if it is a scalable business that can expand into new markets.

## **3. Scalable start up entrepreneurship**

This type of entrepreneurship starts with a unique idea that can bring about change. From creating a business plan to launching it, scalable startup entrepreneurship recognises what is missing in the market and creates a solution. Such businesses usually receive funding from venture capitalists who provide funding based on the uniqueness of the idea. They hire specialised employees because they seek rapid expansion and high returns.

## **4. International entrepreneurship**

In international entrepreneurship, entrepreneurs conduct business activities beyond Indian national boundaries, involving actions such as opening sales offices in new markets abroad or exporting existing products from India to foreign countries. This type of business is particularly beneficial when domestic market demands decline, and opportunities emerge internationally. Usually, international entrepreneurs sell products in the domestic market until they reach the maturity stage and then sell them in the foreign market to earn profits.

## **5. Social entrepreneurship**

Social entrepreneurship is a type of entrepreneurship in which entrepreneurs recognise a social problem and tailor their activities to create social value. Social entrepreneurs develop services, solutions or products to solve important social issues and bring about social change. This change could be related to environment conservation, animal rights protection or philanthropic activities for the underserved community. Social entrepreneurship primarily seeks to achieve these kinds of social benefits. Working in a social enterprise means prioritising transformative social change while ensuring financial sustainability. These organisations use ethical practices such as conscious



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consumerism and corporate social responsibility to facilitate success. Instead of making profits and earning wealth for the owners, social entrepreneurship generally aims to make the world a better place to live. Non-profit organizations can be great examples of successful social enterprises.

### **6. Environmental entrepreneurship**

It is also known as ecopreneurship and green entrepreneurship. Profit generation and a concern for the environment drive the primary goal of such businesses. An ecopreneur adopts highly environmentally responsible business values and practices to ensure sustainability. They also try to replace the existing products or services with new products that are environmentally safe to use. In short, environmental entrepreneurship prioritises the business impact on people and the environment besides profits. Impact blogging, publishing an audiobook and creating SaaS software are a few examples of environmental entrepreneurship as they protect the environment by not cutting down trees.

### **7. Technopreneurship**

Technopreneurship is what you get by uniting technology and entrepreneurship. It is also known as technology entrepreneurship. A technopreneur merges entrepreneurial talent and skills with the technical prowess to develop a business that thrives on the intensive use of technology. Technopreneurs are often skilled in risk-taking, carefully balancing potential gains and losses to achieve sustained business success. They aim to transform existing markets and economic conditions by introducing breakthrough solutions and products to meet evolving market demands. Companies engaging in technopreneurship seek creative, technology-savvy professionals passionate about driving innovation and technological growth.

### **8. Hustler entrepreneurship**

A hustler entrepreneur is a self-starter motivated by their goals and aspirations to succeed in entrepreneurship. Such people start small and work hard to grow their businesses. Instead of using money or capital to achieve their business goals, they put in their best efforts. They never wait for opportunities to come because they create opportunities. Hustlers do not have a give-up attitude, have a big risk-taking appetite and are always ready to face challenges.

### **9. Innovative entrepreneurship**

The foundation of innovative entrepreneurship is inventions and new ideas. These entrepreneurs can think about novel ways of doing business and have the potential to turn a new idea into a successful venture. They are business leaders and contribute significantly to the economy. Such companies strive to make life better by providing products, solutions and services that other companies do not have. Innovative entrepreneurship is ambitious and requires significant investment to turn a new idea into a breakthrough service or product.



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### **10. Imitative entrepreneurship**

This entrepreneurship mimics or imitates existing business ideas and works hard to improve them. Such companies imitate already functioning products and services in the market, usually under a franchise agreement. Such entrepreneurs have no interest in innovation, though they are ready to work on and improve the existing processes. Imitative entrepreneurship works by adopting current technologies worldwide and modifying their existing technologies to suit local conditions. Fast food companies and multinational conglomerate companies are the best examples of enterprises that are running on imitative entrepreneurship.

### **11. Researcher entrepreneurship**

Researchers are those who conduct in-depth research on the market and opportunities before launching their business. Such entrepreneurs believe that with the right set of information and preparation, they have a higher chance of achieving success in their entrepreneurial business. Rather than their instinct, they rely on facts, data and logic to develop and deliver new products or services. Before launching their business, they require a detailed plan and an in-depth report of the research findings to minimise the probability of failure.

### **12. Cyberpreneurship**

Cyberpreneurs or cyber entrepreneurs are people who leverage the benefits of information technology to do business. They come up with new ideas to provide products and services to customers via the internet. These people understand the digital age and remove the hassle of going to a physical store. Such entrepreneurship exists only online and is known as a virtual business. Ecommerce stores and over-the-top (OTT) entertainment platforms fall in the category of cyberpreneurship.

#### **Self-Employment:**

A self-employed professional is an entrepreneur who runs an independent business and offers their services to different clients. Such a professional can either own a business, work as an independent contractor or perform freelance work. For example, a freelance copywriter is a self-employed professional because they can work with different companies simultaneously but are not the employees of those companies.

You are self-employed when you do not have a fixed income or salary from an organisation. You either sell your services to other businesses without a long-term contract or engage in business trade, commerce, manufacturing or related activities. Also, according to the Income Tax Act, 1961, an individual who pursues a vocation in which they specialise are self-employed individuals. Some examples of such professionals include doctors, authors, lawyers, architects, healthcare professionals, auditors, designers, astrologers and sculptors.

Self-employment income is the money you earn by doing business as a sole proprietor or independent contractor or by working as a freelancer. You may have self-employment income



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from a profession, business or commission. This includes any income you receive from carrying out activities for profit or with a reasonable expectation of profit.

### **Benefits Of Self-Employment**

#### **Offers flexible schedules:**

Self-employed workers can create their schedule and decide when and how much to work. This is great for someone who does not prefer working in a 9-to-5 atmosphere. For example, a freelance writer can work three hours in the morning and four hours in the night instead of continuously working for seven hours a day.

#### **Allows creative freedom:**

Working for yourself provides you with an opportunity to be creative. You can set up a home office with your own business terms and shape the business components as you want. For example, when starting a childcare service, you can design the day-care centre as you like and market it in your preferred way.

#### **Expands your skill set:**

When starting a new business, you are required to take care of the marketing, customer acquisition, finances, business operations and even tax obligations. You may already have more than one of these skills, but when you are self-employed, you learn about different processes and business aspects. This can increase your skill set.

#### **Ensures job security:**

In traditional employment, your job may become obsolete due to a change in technology or the company closing one of its business verticals. When you work for yourself, you have a job as long as your company is in business.

#### **Increases earning potential:**

Your earning potential depends on the initiatives you take. Unlike traditional employment where you get a fixed salary, there is no limit on how much you can earn as a self-employed professional. The more you work and put in efforts, the more you can earn.

**Supports your goal:** It allows you to build a business around your vision and achieve your goals. For example, if protecting the environment while running a business is important to you, you can incorporate eco-friendly practices in your business.

#### **Builds professional network:**

In a traditional office environment, you are required to work with a team of people every day. But self-employment allows you to connect and collaborate with business owners, managers and other business stakeholders. For example, a virtual assistant may directly work with the C-level executives of a company.



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## **Areas of Self-Employment**

### **Trading**

Trading involves buying and selling of services and goods. With a small investment, you can start a trading business. Local grocery or stationery shops, garment, sanitary, furniture, spice and hardware trading are a few options to consider. For those who have high risk-taking abilities and can make a substantial investment, a wholesale trading business may be an appropriate choice. You can even take up a franchise or buy an agency.

### **Manufacturing**

Manufacturing involves the production of goods. It can include producing bakery items, manufacturing bricks, making handmade candles, soaps and chocolates, manufacturing paper, producing coconut oil, manufacturing incense sticks and making automobile parts. All these self-employment areas require minimal investment and basic equipment to start.

### **Professionals**

Jobs that require training and special skills in a specific field can provide excellent self-employment opportunities. Professions like doctors, lawyers, auditors, accountants, architects and journalist fall into this category. To become self employed as a professional, you may require specific qualifications. For example, a financial accountant requires a B.Com degree or any other finance-related degree. They should also have knowledge of accounting principles and expertise in accounting software.

### **Individualised services**

Haircutting, fashion designing, wedding photography, interior decoration and motor repairing are some business activities that offer individualised services to customers. Their services vary from customer to customer. For example, an interior designer may design two different kitchen floor plans for two different clients. This area of self-employment depends on the personal skills of the individual.

A freelancer is a skilled professional who offers their services to clients on a contract basis. Often, freelance work offers flexibility that allows freelancers to work on several projects with multiple clients. But certain freelance contracts can restrict who else they can work with until the completion of a project. As they work with multiple clients, it helps in increasing their income and building new connections. Also, freelancers usually earn money on a per-job basis. They

## **Difference between Entrepreneurship and Employment:**

### **Employment vs. entrepreneurship**

#### **1. Compensation plan**

Compensation for employees depends on their employment type. If they have a salary, then their paychecks contain a fixed amount. If they receive an hourly wage, then the employer processes



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payments based on the number of hours the associates worked. Employees can also receive income bonuses, such as commission and overtime pay. The compensation for entrepreneurs depends on the rates they charge for their services and the number of clients they're servicing. Their incomes may fluctuate based on the busyness of their work schedules.

## **2. Work schedule**

Since entrepreneurs work for themselves, they often have the freedom to design their own work schedules. For example, they may prefer working during the evening over the morning, or they may be available three days a week. Employees work on a schedule that their employers provide, which can be during the company's standard business hours. They may also have shifts that their immediate supervisors create.

## **3. Job security**

The role of a traditional employee may be more secure than an entrepreneur. Employees can enjoy a fixed income and stable work schedule, and their position may require them to fulfill the same tasks. For instance, a customer service representative may work for the same department store for 30 years. Entrepreneurs operate their own businesses, and their client management can influence the stability of their roles. For example, a professional who completes fewer projects can cause the trajectory of their careers to change. It's also possible for entrepreneurs to find stability once their businesses become more established.

## **4. Decision-making**

As business owners, entrepreneurs may make all the decisions regarding their careers. For example, they may decide when to expand their clientele or create a new work schedule. The decision-making role for employees depends on their rank in the organizational hierarchy. A professional in an executive position may make more choices than an entry-level coworker. Employees may also consult with their colleagues for their decision-making and justify their conclusions to their teams. Entrepreneurs may not explain their choices to anyone if they work by themselves or have founded their own workforce.

## **5. Independence**

Entrepreneurs may have more independence in their roles than employees. As their own immediate supervisors, entrepreneurs can work how they want to and can hold themselves accountable for their work conduct. Employees may undergo performance reviews, where they receive feedback from managers on how they can improve. Their workflow may rely on the employer's standards.

## **6. Benefits**

Another difference between employment and entrepreneurship is the benefits package. When professionals receive a job offer, the company may agree to provide a health insurance plan, a retirement plan and a signing bonus, for example. Benefits can persuade a professional to accept



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the offer. When entrepreneurs find new clients, they may not receive perks outside of their normal compensation. For example, a business owner may pay for private health insurance because they don't have a traditional employer.

### **7. Responsibility**

Entrepreneurs may have greater responsibilities than traditional employees. Along with administering the services they provide to clients, business owners may meet with potential investors and perform maintenance at their office meetings, for example. They may also spearhead promotional efforts to raise awareness of the business to the public. Employees, especially those who work at the entry level, may only be responsible for the tasks that apply to their specific job titles.

### **8. Financial investment**

Being an entrepreneur can require a hefty financial investment. The expenses may include equipment, paid promotional campaigns and rent and maintenance fees for office space. It's often the entrepreneur's responsibility to provide the materials that keep their business functioning. An employee may have no financial responsibility since the company they work for provides everything for them to meet the employer's expectations.

### **9. Project diversity**

While it's possible for employees to multi-task with several projects, the diversity of their work relies on the companies that employ them. For instance, a professional's workday may only be as versatile as the number of clients the company seeks. They may also find it challenging to change their assignments if the company is steering the direction. Entrepreneurs are in control of their own projects, and their responsibilities may be so expansive that their schedules are more diverse than employees. They have the freedom to enforce changes and oversee new initiatives.

### **10. Work environment**

To fulfill their roles, employees and entrepreneurs may work in different work environments. Employees may work in an office building that the employer owns, and they may have a designated area to complete their assignments. Some associates may telecommute, but their employers may require disclosure about the location of their workspaces. Entrepreneurs can control where they work, which means they can opt to work in an office that they rent or own, or they can work from home.

### **11. Risk**

The career of an entrepreneur can have a higher risk than that of an employee. To own a successful business, owners invest time and resources on their own. It can be challenging to predict if the business runs well enough to yield a livable income and professional fulfillment. Employees may only devote time to their roles, and they can have the flexibility to pursue other



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job opportunities. With traditional employment, the company founder is taking the risk, not members of its workforce.

### **12. Collaboration**

A company may encourage its employees to collaborate with their colleagues on work assignments. The manager may assign a task and require team members to share their perspectives with one another and work together to achieve a common goal. The employer may also have several divisions, such as human resources, marketing and finance, which align with one another to benefit the agency. Collaboration can ensure productivity and cohesion in a traditional workplace. Entrepreneurs may work alone, so collaboration may not be prevalent in their business.

### **13. Opportunities**

Business owners may encounter more opportunities than associates who work for companies. For example, an entrepreneur may expand their business to a new market, which changes their responsibilities and affects their income. Employees may depend on their employers to offer opportunities for change in their workplace. If the company doesn't offer internal promotions or new activities, then the role of an employee may stay the same.

### **14. Company policies**

Employers often require employees to adhere to company policies, such as dress codes and ethical standards and safety regulations. Employees may agree to follow the policies as a condition of their employment, and they can have access to the rules in a company handbook. Since entrepreneurs own their businesses, they may not have any regulations to obey. They can carry out their work tasks in ways they deem fit.

### **15. Competition**

Traditional employees may work in competitive environments. For internal promotions, they may distinguish themselves from their coworkers who are pursuing the same positions. If a manager plans to select one person to spearhead a project, professionals may compete against their teammates to seize the opportunity. The internal work atmosphere for entrepreneurs is not competitive because they may work by themselves. They may aim to exceed other independent contractors in their field, but they may not compete with anyone inside their business.

### **Top of Form**

### **Bottom of Form**

### **DEFINITION OF ENTREPRENEUR**

Peter F. Drucker in his book, Innovative Entrepreneurs, says, "Entrepreneurs as innovators. Entrepreneurs search for change and exploit opportunities." According to Drucker, "Innovation is



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the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation.”

### **Qualities of a Successful Entrepreneur**

**Tolerance of Risk-** No matter how known a market is, how tried-and-tested a business model is, the decision to start a new venture always comes laden with a thousand risks. One who is able to take those risks in a calculated way can make it on his own. Therefore, the risk-taking ability is an important characteristic of entrepreneurship.

**Passion-** It is one of the important qualities of a good entrepreneur. Drive for producing better products and services requires a tremendous amount of passion which all successful entrepreneurs possess. Without being consistent towards the goals of the company, any entrepreneurship organisation is bound to fail. Hence, passion for an entrepreneur is a must to achieve success. It helps in sustaining crises and overcoming the hurdles.

**Vision-** One of the traits of successful entrepreneurs is to have a vision. The entrepreneur must be able to look at the bigger picture and also should have an idea about how he or she wants to achieve that. This side of the character of an entrepreneur helps him to walk towards the direction of the goal and look for opportunities that will make his dream come true. It is one of the essential characteristics of an entrepreneur. If an individual is looking for ways in which he or she wants to start their own business, he or she must look out for entrepreneurial traits meaning- to get a clear picture about their strengths and weaknesses and what they want to achieve at the end of the day.

**Confidence-** Above all, the most important characteristics of an entrepreneur is confidence. The history of successful entrepreneurship does not have any entrepreneurs who had self-doubt. When an individual is looking forward to becoming an entrepreneur, he must learn how to believe in himself and his products or services. It is essential in a business because it helps in overcoming the hurdles and the discouragement that comes in the way. Further, risk situations can be mitigated to a large extent.

**Decision-making Ability-** Quick decision-making power is among the key skills and characteristics of an entrepreneur. This quality also identifies the potential of a business to succeed or fail. A successful entrepreneur not only has great decision-making skills but they also know how to implement the decision in the right channel to reach their objective. Further, it is also important to understand that quick decision-making should be done considering the facts and the current situation of the organisation. Any decision that is related to change in the working pattern of the company would also have a considerable amount of effect on productivity. Hence, as a leader, it is important to make not only quick decisions but also real-time strategies.



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Consistency- To achieve any kind of objective in life, consistency is crucial. It is one of the key characteristics of an entrepreneur when it comes to business. Be it entrepreneurship or partnership business, the importance of consistency remains intact. Successful entrepreneurs remain motivated and focused on their business operations. They are well aware of the fact that how the show must go on through time and tide. They accept challenges and failures and move on with sheer consistency.

**Other Characteristics of a Good Entrepreneur are:**

- Opportunity obsession
- Leadership
- Creativity
- Motivation to excel
- Evangelism, selling, negotiation
- Persuasion and influencing skills
- Basic knowledge of finance and accounting
- Communication skills

These are the most common traits of entrepreneurs. Possessing these qualities can make entrepreneurs successful in their ventures. Entrepreneurs must also change and adapt themselves to the ever-evolving market to understand customer needs and market trends and set goals accordingly.

**CLASSIFICATION OF ENTREPRENEURS**

Entrepreneurs can be classified under various traits which need not be mutually exclusive. So, an entrepreneur categorized on one criterion may also fit the bill under another category.

**ON THE BASIS OF NATURE OF THE ENTERPRISE**

**Trading Entrepreneur**

A trading entrepreneur is a middleman between manufacturers and customers of the product or services. So, the main function of a trading entrepreneur is procurement of products and making the same available to last customers.

**Manufacturing Entrepreneur**

A manufacturing entrepreneur fills the gap in the supply-demand chain, identifying products customers require and finds resources to meet those requirements. Such entrepreneurs produce the goods, converting raw material into finished products.



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**Business Entrepreneur**

Business entrepreneur is a wider term encompassing manufacturing and trading entrepreneurs. Business entrepreneurs conceive the idea of setting up a new enterprise. The enterprise may be a small or large venture but the idea gets translated into reality.

**ON THE BASIS OF DEPTH OF TECHNOLOGY EMPLOYED**

**Technopreneur**

These are entrepreneurs whose enterprises are concerned with technology or science. Technical entrepreneurs or technopreneurs are mainly involved with innovation of new technology-based products. So, an entrepreneur developing a new operating system for your mobile or laptop is a technopreneur. They mostly work backwards to arrive at a technology to provide the customer with a desired experience.

**Non-Technopreneur**

Unlike technopreneurs, non-technopreneurs do not rely on technology as the core of their enterprise. They are concerned about the use of alternative or imitative methods. Non-technopreneurs may include the manufacturing and trading entrepreneurs whose focus is not on the use or development of technology or tech-driven products.

**Professional Entrepreneurs**

The term professional entrepreneur may seem confusing since professionalism is expected out of every entrepreneur. But a professional entrepreneur is a professional who is interested in establishing an enterprise but not interested in managing it once it is established. After that, a professional entrepreneur sells it off to some other person and moves on to setting up another venture.

**ON THE BASIS OF CONTROL OF OWNERSHIP**

**Private Entrepreneur**

A private entrepreneur establishes, owns and manages the enterprise as a private affair or venture. There is no state or government participation in the venture and the entire risk will be borne by the private entrepreneur who will also be the only person to enjoy the benefits of the enterprise.

**Public Entrepreneur**

Public or State entrepreneur is a term used for the State or government when it steps in as an entrepreneur. Just like the private entrepreneur in this situation, all the cost/risk will be borne by the State but the benefits may not necessarily accrue to the State only. The public may also enjoy the benefits of such a venture.



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**Mixed or Joint Entrepreneur**

As the name suggests, this category arises when an enterprise is collectively owned or run by the private entrepreneur and the State. Such enterprises get the expertise and entrepreneurial benefits of the private entrepreneur and at the same time gets funding from the State.

**ON THE BASIS OF ADAPTABILITY OR INNOVATION**

**Innovating Entrepreneurs**

Innovating entrepreneurs think out of the box or come up with solutions that are innovative. The entrepreneur may introduce new technologies, new products, new methods of work, or even explore new markets. These entrepreneurs can innovate when a certain level of development already exists and when people want better and improved goods and services.

**Imitative Entrepreneurs**

These entrepreneurs follow the lead of innovating entrepreneurs and are open to adopting their successful innovations. Imitative entrepreneurs do not initiate change or innovation. They just copy or imitate an existing technology and offer their own version of goods and services. An example of this is entrepreneurs in the area of production of generic medicines.

**Fabian Entrepreneurs**

These entrepreneurs are characterized by the skepticism to change. They usually avoid taking any bold step and try to imitate only when failure is imminent. They can be called laggards as they are lazy and not much open to change or adaptive of new methods to improve the enterprise.

**Drone Entrepreneurs**

Drone entrepreneurs are one step ahead of Fabians as they are not open to any kind of change in the enterprise even at the risk of incurring losses. They are conservative or orthodox entrepreneurs. They always feel comfortable with existing technology or methods of production. They are also laggards as they continue to operate in a traditional way and resist any possible change.

**BASED ON GENERATION**

**First Gen Entrepreneurs**

First Gen entrepreneurs are initiators of enterprise in the family. This term is actually a synonym for new entrepreneurs which means that they do not take over or carry forward any existing enterprise rather they start from the scratch to start and establish a new enterprise.

**Next Gen Entrepreneurs**

Strictly speaking, Second Gen or next Gen entrepreneurs may not be classified as entrepreneurs at all as they just continue or carry forward the enterprises already established by their families. But to make sure that the enterprise they have taken over continues successfully, these Next Gen



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entrepreneurs have to innovate and evolve in the market to face competition and to further grow and expand.

### **Classical Entrepreneurs**

A classical entrepreneur is one who is concerned with customers and the marketing needs of the enterprise through the development of self-supporting ventures. This person is a typical entrepreneur who aims at maximising the benefits or profits and ensuring the flow of such returns or profits irrespective of the fact whether the enterprise grows or not.

### **Functions of an Entrepreneur:**

#### **1. Innovation:**

Entrepreneurs play a crucial role in introducing new combinations and ideas in various economic activities. This innovation can take different forms, such as the introduction of new products, methods of production, market expansion, sourcing new raw materials, or even creating new forms of industry organisation.

#### **2. Risk Taking:**

Entrepreneurs willingly take on the responsibility for potential losses that may arise due to unforeseen circumstances in the future. They guarantee payments to creditors, wages to labour, and rent to landlords, even if it means there might be little or no profit left for themselves.

#### **3. Organisation Building:**

Entrepreneurs bring together different factors of production and efficiently organise them to fulfil the decision-making and administrative functions of the enterprise. They are responsible for determining the business's direction, expansion, and growth, while also performing planning, coordination, and control tasks.

#### **4. Perceiving Market Opportunities:**

Entrepreneurs have a keen ability to identify and perceive market opportunities. They spot potential gaps and demands in the market and capitalize on them to create commercially viable and useful products.

#### **5. Management:**

Entrepreneurs take on various management responsibilities, including purchasing inputs, marketing products, dealing with bureaucratic processes, managing human relations within the firm, handling customer and supplier relations, managing finances, overseeing production, and introducing new production techniques and products. They play a



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**Entrepreneurial Scenario in India**

The entrepreneurial scenario in India is characterized by significant growth and a vibrant ecosystem, particularly for early-stage ventures and micro, small, and medium enterprises (MSMEs). Government initiatives like Startup India are promoting private sector development and entrepreneurship, with a focus on creating a supportive environment for entrepreneurs. While opportunities abound, challenges remain, including funding, navigating regulations, and developing a skilled workforce.

The MSME sector is crucial for job creation and economic growth, and the government has implemented various policies to support its development, including reservation policies, modernization, and fiscal incentives.

Initiatives like Start up India aim to foster private sector development and provide support to entrepreneur

Entrepreneurs face challenges such as securing funding, navigating regulations, and ensuring access to a skilled workforce.

India is witnessing a rise in early-stage entrepreneurship, with a significant number of new-age entrepreneurs emerging across various sectors.

There's a growing recognition of the role social enterprises can play in addressing social issues and contributing to economic development.

Fostering entrepreneurship among young people is seen as crucial for integrating them into the global economy and stimulating regional growth.

Numerous successful entrepreneurs have emerged in India, inspiring innovation and entrepreneurship across different sectors, according to Chegg India.

Examples of entrepreneurial initiatives and challenges:

This initiative aims to create a supportive environment for startups, providing access to funding, mentorship, and other resources.

The MSME sector plays a vital role in the Indian economy, providing employment and contributing to industrialization, especially in rural and backward areas.

Entrepreneurs often face difficulties in securing funding, which can hinder their ability to scale and innovate.

Navigating the regulatory environment can be challenging for start-ups in India, requiring them to comply with various rules and regulations.

A shortage of skilled labour can be a major challenge for entrepreneurs, impacting their ability to hire and retain talent.



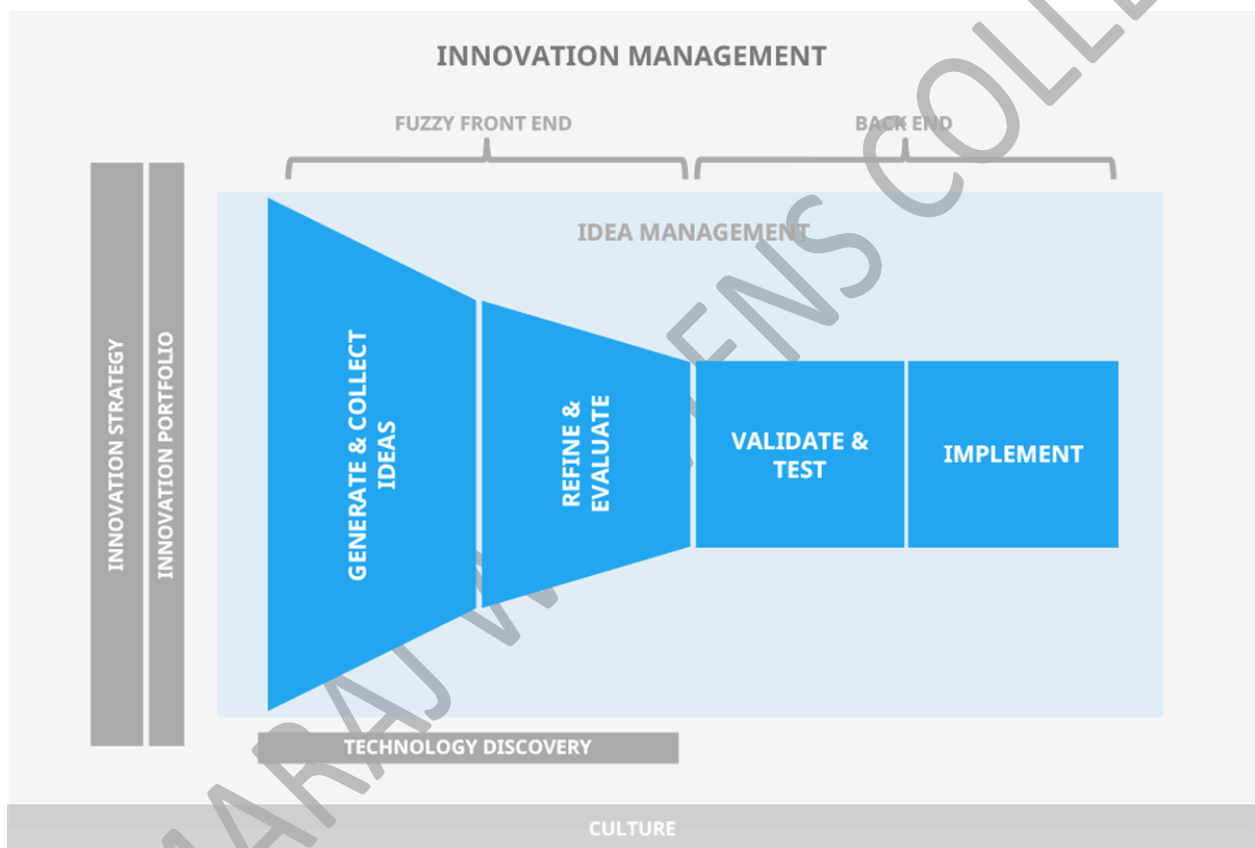
## Unit: II

### Design Thinking

#### Idea Generation

Idea generation is described as the process of creating, developing and communicating abstract, concrete or visual ideas.

It's the front end part of the idea management funnel and it focuses on coming up with possible solutions to perceived or actual problems and opportunities.



As mentioned, ideas are the first step towards making improvement. Us making progress as individual human beings depends on new ideas. From the perspective of an individual, new ideas can help you to move forward if you feel stuck with a task or are unable to solve a certain problem.

Perhaps you're looking for new ways to overcome a creative block or you're after a better solution to your problem?

Maybe you need new ideas so that you can fully explore a new opportunity?



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When it comes to your organization, generating and collecting new ideas from your employees is the best way to uncover creative, tacit knowledge. The ability to create and develop new ideas allows you to:

- Stay relevant
- Make positive change happen in your organization

“Creative thinking inspires ideas. Ideas inspire change”– Barbara

**Perhaps your organizational goal is to improve your and your team's efficiency or you need new ideas for making your product better?**

Regardless of your goals or the types of ideas you're looking for, the purpose of new ideas is to improve the way you operate.

On a larger scale, economies depend on innovation to drive growth and increase well-being. Innovation creates new technologies and businesses, which provide new jobs for people.

So, although innovation isn't about ideas alone, they are an important part of the equation as there wouldn't be one without the other.

Tools and techniques for generating ideas

**Okay, now you need ideas. What do you do?**

The odds are that you'd run a brainstorming session. It has, however, been shown that brainstorming not only takes more time and leads to less ideas, but also worse ideas than if the same participants had just tried to come up with ideas by themselves.

There are several other reasons why brainstorming may not be the best way to come up with ideas. Scheduling, organizing and documenting the session in a usable format will all take up even more time.

Although there are certain ways to improve brainstorming performance, it's beyond the point. The point is that you shouldn't automatically default to brainstorming.

There are, however, some other useful techniques that might be worth giving a shot to challenge conventional thinking. Because you're going to need different ideas, it's good to have a few techniques in mind for generating them. Most of these ideation methods can be used for more effective brainstorming but also for other type of ideation.

**Idea Challenge**

Idea challenge is a focused form of innovation where you raise a problem or opportunity with the hopes of coming up with creative solutions.

The point of idea challenge is to participate in ideation and generate ideas around a pre-defined theme for a limited period of time.



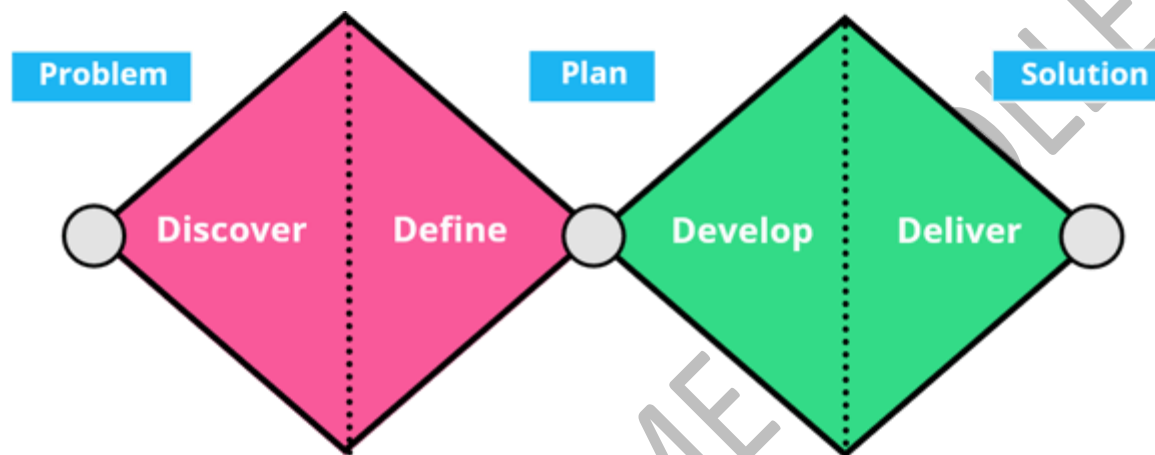
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It allows you to form a specific question and direct that question at a specific audience to receive new ideas and unique insights.

Before setting up an idea challenge, it's important to define what you want to accomplish with it.

Because there are two types of idea challenges, problem centric and solution centric approaches, you should first clarify whether you're looking to identify challenges or develop potential solutions for them.



When organizing an idea challenge, there are different parameters that you can choose to achieve the outcomes you're looking for, such as theme, audience, responsibilities, time, or channels.

Keep in mind that idea challenge is the best technique when you need to generate lots of new ideas. It may not be the most effective way to generate ideas if you only involve a few experts in your ideation process as it's proven to be more useful for engaging large audiences.

Although idea challenge enables you to gather lots of ideas fast, careful planning takes time and might not be worth the effort if there are no resources to execute it properly. Also, right timing is necessary for it to succeed.

#### Identification of Business Opportunities:

A business opportunity is like a golden chance for someone who wants to start their own business and make money. It's when you notice something missing in the market or something people really need but can't find easily. For example, maybe people want a new type of gadget, or there's a service everyone wishes they had. When you see this gap or need, that's the opportunity part. Now, what you do is come up with a product or service that fits right into that gap or fulfills that need. It's like solving a problem for people, and when they pay for your solution, that's how you make a profit. So, a business opportunity is like finding a key to success by spotting what people want and creating something to give it to them.



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### **Importance of a Business Opportunity**

The importance of a business opportunity lies in its potential to bring about substantial positive changes for entrepreneurs and the broader economy.

- 1) Revenue Generation:** At its core, a business opportunity is a pathway to making money. Successfully identifying and tapping into opportunities can lead to substantial financial gains. This not only benefits individual business owners but also contributes to the economic well-being of the community and the nation as a whole.
- 2) Innovation:** Opportunities act as catalysts for innovation. They bring forth challenges or needs within the market that demand creative solutions. Entrepreneurs, driven by the desire to capitalise on these opportunities, are prompted to think outside the box. This process often results in the development of new products, services, or more efficient business processes, fostering ongoing innovation within industries.
- 3) Economic Growth:** Successful businesses arising from identified opportunities play a pivotal role in fostering economic development. They generate job opportunities, employing individuals within the community. Additionally, these businesses stimulate economic activity by engaging in transactions with suppliers, customers, and other businesses. This ripple effect contributes to the overall growth of the economy.
- 4) Competitive Edge:** Recognising and acting on a business opportunity before competitors is akin to securing a strategic advantage. Being ahead in the game allows entrepreneurs to establish themselves in the market, build a customer base, and solidify their position. This competitive edge is crucial for the long-term success and sustainability of a business, establishing a foothold that is challenging for competitors to overcome.
- 5) Adaptability:** Businesses actively seeking and capitalizing on opportunities are inherently more adaptable to market changes. By staying attuned to emerging trends, consumer preferences, and technological advancements, these businesses can adjust their strategies swiftly. This adaptability is crucial for navigating the dynamic business landscape, ensuring that the company remains relevant and resilient in the face of changing market conditions.

### **Characteristics of a Good Business Opportunity**

- 1. Market Demand:** A good business opportunity taps into a real need or want in the market. It's not just an idea; it's about solving a problem or offering something people really want. This ensures that there's a genuine interest and willingness to pay for what you're providing.
- 2. Feasibility:** Feasibility means your idea can actually work in the real world. It should be doable with the available technology, financially sound (costs shouldn't outweigh earnings), and operationally practical. Think of it as having a plan that's not just on paper but can be executed without major problems.



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**3. Sustainability:** A good opportunity is not a quick fix; it's something that can last. It should have the potential for long-term success, not just a short-term trend. This means it can adapt and grow over time, staying relevant as things change.

**4. Competitive Advantage:** Your opportunity should stand out from the crowd with a unique selling proposition (USP) that offers a competitive advantage. It's about being different or better than what's already out there. Having a competitive advantage means your business has something special that attracts customers and makes it hard for others to copy.

**5. Scalability:** Scalability is about growth potential. A good opportunity allows you to expand and reach more people or markets. It's not just about starting small; it's about having the potential to get bigger without breaking. Think of it like a recipe you can easily double or triple without messing it up.

Good business opportunity meets a real market need, is doable in the real world, can last in the long run, stands out from the competition, and has the potential to grow. These qualities make an opportunity solid and increase its chances of success.

#### **Types of Business Opportunities**

**1. Franchise Opportunities:** Franchise opportunities are like getting a ready-made business package. It involves buying the rights to operate a business under a recognized brand and using a proven business model. Essentially, you're investing in an established name, and in return, you receive support and guidelines from the franchisor. It's a bit like having a business shortcut, where the groundwork has already been laid out for you.

**2. Startup Opportunities:** Startups are ventures born out of the creative minds of entrepreneurs. These opportunities are all about introducing something completely new and innovative to the market. Unlike franchises, startups are built from the ground up. It's like being the first to bring a fresh idea to the world, but it also comes with higher risks and requires a good dose of creativity and determination.

**3. Distribution Opportunities:** Distribution opportunities involve acting as the middleman between consumers and established brands. Entrepreneurs in this field sell or distribute products from well-known brands in a specific region or market. It's like becoming the local go-to source for products people already recognize and trust. This type of business opportunity thrives on effective networking and connecting consumers with trusted brands.

**4. Real Estate Opportunities:** Real estate opportunities are all about investing in property for development or resale. This could mean buying, developing, and selling properties for profit. It's like playing a strategic game in the property market, where understanding market trends and predicting future growth is key. Real estate opportunities often require a mix of business acumen and a good grasp of the property landscape.

**5. Online Business Opportunities:** Online business opportunities cover a wide array of ventures conducted on the internet. This could involve e-commerce, where products are bought and sold



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online, affiliate marketing, where individuals promote products for a commission or other internet-based ventures. It's like entering the digital marketplace, allowing entrepreneurs to reach a global audience without the constraints of physical locations. This type of opportunity is about leveraging the vast potential of the online world.

### **How to Identify a Business Opportunity**

**1. Market Research:** Market research is like putting on a detective hat for your business. It involves digging into market trends, understanding what customers want, and checking out what your competitors are up to. By analyzing the market, you can uncover gaps or needs that haven't been met, laying the groundwork for potential business opportunities.

**2. Problem Solving:** Successful businesses often start with a problem in need of a solution. Identifying problems in the market or recognizing areas where things could be better is the first step. Then, it's about coming up with innovative solutions that make life easier or more enjoyable for customers. It's like being a detective and an inventor rolled into one – finding problems and creating solutions.

**3. Networking:** Networking is your business's social circle. By staying connected to industry peers, mentors, and experts, you get a sneak peek into what's happening in your field. Sometimes, opportunities come from these connections – hearing about a gap in the market or getting advice from someone who's been there before. Networking is like having friends who share tips and open doors to potential opportunities.

**4. SWOT Analysis:** SWOT analysis is your business's self-reflection. It stands for strengths, weaknesses, opportunities, and threats. By evaluating these aspects, you get a clearer picture of where your business stands and what possibilities lie ahead. It's like having a roadmap that shows you where you can shine, where you need improvement, and where opportunities might be hiding.

**5. Technology Trends:** Keeping an eye on technology trends is like looking into a crystal ball for business opportunities. Technology is always evolving, and sometimes, new opportunities emerge as a result. It could be finding ways to use the latest gadgets or leveraging emerging technologies to solve problems in your industry. It's like riding the wave of innovation to discover new possibilities for your business.

### **Design Thinking Process:**

**Empathize:** The first phase of design thinking, where you gain real insight into users and their needs.

The first stage of the design thinking process focuses on user-centric research. You want to gain an empathic understanding of the problem you are trying to solve. Consult experts to find out more about the area of concern and conduct observations to engage and empathize with your users. You may also want to immerse yourself in your users' physical environment to gain a deeper, personal understanding of the issues involved—as well as their experiences



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and motivations. Empathy is crucial to problem-solving and a human-centered design process as it allows design thinkers to set aside their own assumptions about the world and gain real insight into users and their needs.

Depending on time constraints, you will gather a substantial amount of information to use during the next stage. The main aim of the Empathize stage is to develop the best possible understanding of your users, their needs and the problems that underlie the development of the product or service you want to create.

**Define:** The second phase of design thinking, where you define the problem statement in a human-centered manner.

In the Define stage, you will organize the information you have gathered during the Empathize stage. You'll analyze your observations to define the core problems you and your team have identified up to this point. Defining the problem and problem statement must be done in a human-centered manner.

For example, you should not define the problem as your own wish or need of the company: "We need to increase our food-product market share among young teenage girls by 5%."

You should pitch the problem statement from your perception of the users' needs: "Teenage girls need to eat nutritious food in order to thrive, be healthy and grow."

The Define stage will help the design team collect great ideas to establish features, functions and other elements to solve the problem at hand—or, at the very least, allow real users to resolve issues themselves with minimal difficulty. In this stage, you will start to progress to the third stage, the ideation phase, where you ask questions to help you look for solutions: "How might we encourage teenage girls to perform an action that benefits them and also involves your company's food-related product or service?" for instance.

**Ideate:** The third phase of design thinking, where you identify innovative solutions to the problem statement you've created.

During the third stage of the design thinking process, designers are ready to generate ideas. You've grown to understand your users and their needs in the Empathize stage, and you've analyzed your observations in the Define stage to create a user-centric problem statement. With this solid background, you and your team members can start to look at the problem from different perspectives and ideate innovative solutions to your problem statement.

There are hundreds of ideation techniques you can use—such as Brainstorm, Brainwrite, Worst Possible Idea and SCAMPER. Brainstorm and Worst Possible Idea techniques are typically used at the start of the ideation stage to stimulate free thinking and expand the problem space. This allows you to generate as many ideas as possible at the start of ideation. You should pick other ideation techniques towards the end of this stage to help you investigate and test your ideas and choose the best ones to move forward with—either because they seem to solve the problem or provide the elements required to circumvent it.



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**Prototype:** The fourth phase of design thinking, where you identify the best possible solution.

The design team will now produce a number of inexpensive, scaled down versions of the product (or specific features found within the product) to investigate the key solutions generated in the ideation phase. These prototypes can be shared and tested within the team itself, in other departments or on a small group of people outside the design team.

This is an experimental phase, and the aim is to identify the best possible solution for each of the problems identified during the first three stages. The solutions are implemented within the prototypes, and, one by one, they are investigated and then accepted, improved or rejected based on the users' experiences.

By the end of the Prototype stage, the design team will have a better idea of the product's limitations and the problems it faces. They'll also have a clearer view of how real users would behave, think and feel when they interact with the end product.

**Test:** The fifth and final phase of the design thinking process, where you test solutions to derive a deep understanding of the product and its users.

Designers or evaluators rigorously test the complete product using the best solutions identified in the Prototype stage. This is the final stage of the five-stage model; however, in an iterative process such as design thinking, the results generated are often used to redefine one or more further problems. This increased level of understanding may help you investigate the conditions of use and how people think, behave and feel towards the product, and even lead you to loop back to a previous stage in the design thinking process. You can then proceed with further iterations and make alterations and refinements to rule out alternative solutions. The ultimate goal is to get as deep an understanding of the product and its users as possible.

Did You Know Design Thinking is a Non-Linear Process

We've outlined a direct and linear design thinking process here, in which one stage seemingly leads to the next with a logical conclusion at user testing. However, in practice, the process is carried out in a more flexible and non-linear fashion. For example, different groups within the design team may conduct more than one stage concurrently, or designers may collect information and prototype throughout each stage of the project to bring their ideas to life and visualize the problem solutions as they go. What's more, results from the Test stage may reveal new insights about users which lead to another brainstorming session (Ideate) or the development of new prototypes (Prototype).

It is important to note the five stages of design thinking are not always sequential. They do not have to follow a specific order, and they can often occur in parallel or be repeated iteratively. The stages should be understood as different modes which contribute to the entire design project, rather than sequential steps.

The design thinking process should not be seen as a concrete and inflexible approach to design; the component stages identified should serve as a guide to the activities you carry out. The stages



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might be switched, conducted concurrently or repeated several times to gain the most informative insights about your users, expand the solution space and hone in on innovative solutions.

This is one of the main benefits of the five-stage model. Knowledge acquired in the latter stages of the process can inform repeats of earlier stages. Information is continually used to inform the understanding of the problem and solution spaces and to redefine the problem itself. This creates a perpetual loop in which the designers continue to gain new insights, develop new ways to view the product (or service) and its possible uses and develop a far more profound understanding of their real users and the problems they face.

**Design, creativity, invention and innovation:**

Before proceeding further, it is worthwhile clarifying some of the terminology which surrounds the design process. The words given in the heading above are often used almost synonymously, and in this course we will try to be more specific.

**Creativity is the ability to generate novel ideas.**

To invent is the process of transforming a novel idea into reality, giving it a form such as a description, sketch or model for a new product, process or system.

An invention is a novel idea that has been transformed into reality and given a physical form such as a description, sketch or model conveying the essential principles of a new product, process or system.

To design is the process of converting generalised ideas and concepts into specific plans/drawings etc., which can enable the manufacture of products, processes or systems.

A design comprises specific plans, drawings and instructions to enable the manufacture of products, processes or systems. A design can also be a particular physical embodiment of a product or device.

To innovate is the process of translating an idea or invention into a new product, process or system on the market or in social use.

An innovation is a novel product, process or system at the point of first commercial introduction or use.

Although invention can be the starting point for designing, a study of design is less about invention and more about innovation and the innovation process from invention to acceptance among users (and competitors). Few products are radical departures from the norm. That is to say, most products belong to a family of similar products. Thus there may be hundreds of different makes and models of digital camera on the market but they broadly share the same technology. Some of the differences may be no more than styling changes to colour or form. Others may typify incremental innovation – a process of making small improvements over time. Most of the



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products of our mass manufacturing culture are variations or variant designs based on the same radical innovation.

There have been numerous books written about design and innovation. Many have attempted to demystify the process and to demonstrate something typical via studies of various successful innovations. However, there may be a significant flaw in this strategy. The point about successful innovations is that they are atypical. Very few innovations go on to become commercially successful. The vast majority fail, and so to study only the successful ones may not tell us much about the vast majority of innovation taking place. Be cautious if you plan to do any additional reading about innovation and innovators. We are encouraged to believe that successful innovations are the result of some special process or the application of processes by a special individual: the myth of the 'hero innovator'. An alternative viewpoint would suggest that innovation inevitably occurs when certain conditions prevail. However, it is somehow unsatisfying to say that jet engines were inevitably going to be developed in the 1940s because the world was full of innovators and the time was right, rather than to say that 'our' genius, Frank Whittle, invented the jet engine. Either we are all innovators, to a greater or lesser extent, and innovations are common events, usually failures, or there are great innovators who will succeed against all odds, time and time again, and by studying these special people we can hope to emulate them.

**The Role of Creativity in Design Thinking:**

Creativity is often associated with the arts, but it is a critical component of design thinking. Creativity is the ability to think outside the box, see things from a different perspective, and come up with new and innovative ideas. In design thinking, creativity is essential to identifying and defining the problem to be solved. Creativity allows designers to approach problems in new and different ways, leading to innovative solutions that are not limited by traditional thinking.

One of the key benefits of creativity in design thinking is that it allows designers to explore different possibilities and options. When creativity is encouraged, designers are free to experiment and take risks, which can lead to unexpected and exciting solutions. This approach can lead to the creation of designs that are not only functional, but also aesthetically pleasing, unique, and memorable.

**Invention:**

An invention is a leap in capability beyond innovation. Some inventions combine several innovations into something new. Invention certainly requires creativity, but it goes beyond coming up with new ideas, combinations of thought, or variations on a theme. Inventors build. Developing something users and customers view as an invention could be important to some entrepreneurs, because when a new product or service is viewed as unique, it can create new markets. True inventiveness is often recognized in the marketplace, and it can help build a valuable reputation and help establish market position if the company can build a future-oriented corporate narrative around the invention.<sup>23</sup>



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Besides establishing a new market position, a true invention can have a social and cultural impact. At the social level, a new invention can influence the ways institutions work. For example, the invention of desktop computing put accounting and word processing into the hands of nearly every office worker. The ripple effects spread to the school systems that educate and train the corporate workforce. Not long after the spread of desktop computing, workers were expected to draft reports, run financial projections, and make appealing presentations. Specializations or aspects of specialized jobs—such as typist, bookkeeper, corporate copywriter—became necessary for almost everyone headed for corporate work. Colleges and eventually high schools saw software training as essential for students of almost all skill levels. These additional capabilities added profitability and efficiencies, but they also have increased job requirements for the average professional.

Some of the most successful inventions contain a mix of familiarity and innovation that is difficult to achieve. With this mix, the rate of adoption can be accelerated because of the familiarity with the concept or certain aspects of the product or service. As an example, the “videophone” was a concept that began to be explored as early as the late 1800s. AT&T began extensive work on videophones during the 1920s. However, the invention was not adopted because of a lack of familiarity with the idea of seeing someone on a screen and communicating back and forth. Other factors included societal norms, size of the machine, and cost. It wasn’t until the early 2000s that the invention started to take hold in the marketplace.<sup>24</sup> The concept of a black box is that activities are performed in a somewhat mysterious and ambiguous manner, with a serendipitous set of actions connecting that result in a surprisingly beneficial manner. An example is Febreze, a chemical combination that binds molecules to eliminate odors. From a black box perspective, the chemical engineers did not intend to create this product, but as they were working on creating another product, someone noticed that the product they were working on removed odors, thus inadvertently creating a successful new product marketed as Febreze.

### **The Role of Innovation in Design Thinking**

Innovation is the process of taking a creative idea and turning it into a useful solution. It involves taking risks and challenging the status quo, and it is a key component of design thinking. Innovation is important in design thinking because it allows designers to create solutions that are both practical and effective.

Innovation in design thinking can take many forms. It can involve using new materials or technologies, rethinking traditional design practices, or finding new ways to solve problems. By embracing innovation, designers can create designs that are not only functional, but also sustainable, cost-effective, and user-friendly.

### **The Importance of Integrating Creativity and Innovation in Design Thinking**

While creativity and innovation are important on their own, the real power of design thinking comes from integrating the two. When designers combine creativity and innovation, they are able to create solutions that are truly unique and effective. Integrating creativity and innovation in



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design thinking can lead to breakthroughs in the field of design, and can help solve some of the most complex problems facing society today.

One of the key benefits of integrating creativity and innovation in design thinking is that it allows designers to approach problems holistically. Instead of just focusing on the functional aspects of a design, designers can consider the broader context in which the design will be used. This can lead to designs that not only meet functional requirements, but also address social, cultural, and environmental factors.

In addition, integrating creativity and innovation in design thinking can lead to designs that are more engaging and memorable. When designers approach a project with creativity and innovation, they are able to create designs that are not only functional but also visually appealing and emotionally resonant. This can lead to designs that are more likely to be embraced by users, and that have a lasting impact.

Sushant University's School of Design being amongst the top design colleges in Delhi is one such institution that emphasizes the importance of creativity and innovation in design thinking. Its programs are designed to help students develop a broad range of skills, including design thinking, creativity, and innovation. With state-of-the-art facilities and a team of experienced faculty members, Sushant University's School of Design is the ideal destination for students looking to pursue a career in design.

**Differences - design thinking:**

In spite of their parallels, the agile and design thinking methodologies can't be used interchangeably. Here are three examples of where their similarities come to an end.

**1. The root of the problem**

Agile is a method to solve predefined problems, and to quickly execute solutions to those problems you're already aware of.

Design thinking focuses on finding the right problems to solve, and provides product teams with a way to make better choices about the journey their users should follow.

**2. How user feedback is used**

This difference involves how each method uses the feedback they've gathered from users at a specific time.

With agile, the workflow is build first, then measure, then learn. The team creates a minimum viable product (MVP) and then relies on user feedback to make adjustments and improvements.

However, with design thinking, the flow is learn, measure, then build. The design thinking process capitalizes on user feedback to discover which customer needs are not being met.



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### **3. Length of the development process**

Agile teams might experience a longer product development process than teams that employ design thinking. That's because the agile framework tends to develop a product first, and then uses feedback from users to make improvements.

Design thinking seeks user feedback first, before teams even start working on the product. Since most feedback is factored in at the planning stage, this shortens the development process.

#### **Value Addition:**

Design thinking adds value by prioritizing human needs and iteratively improving solutions, ultimately leading to innovation, improved user experiences, and increased business value. It's a human-centered approach that emphasizes understanding users' needs, generating creative ideas, prototyping solutions, and testing them to refine and improve the final product or service.

Design thinking starts by understanding the needs and problems of the end-users, ensuring solutions are relevant and effective.

By embracing a collaborative and exploratory process, design thinking fosters creativity and helps generate innovative solutions.

Prototyping and testing allow for early identification of potential problems and refinements, reducing the risk of developing a product or service that doesn't meet user needs

Design thinking prioritizes creating intuitive and engaging user experiences, leading to increased customer satisfaction and loyalty.

By focusing on user needs and creating innovative solutions, design thinking can help businesses gain a competitive edge.

By reducing the need for costly revisions later in the development process, design thinking can lead to more efficient resource allocation and cost savings.

Design thinking can lead to increased sales, improved margins, greater market share, and a better return on investment.

#### **Concept :**

Design thinking is a problem-solving approach focused on understanding user needs and creating innovative solutions, typically involving five stages: Empathize, Define, Ideate, Prototype, and Test. It's an iterative and non-linear process, meaning teams can revisit earlier stages as needed and the phases are not always followed in a strict sequence.

Design thinking prioritizes understanding the needs, desires, and behaviors of the users or customers for whom a solution is being designed.

The process is not a rigid sequence of steps but rather a flexible and iterative approach where teams can revisit previous stages based on new insights.



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It's a structured approach to solving problems by focusing on user needs, generating ideas, and testing solutions.

**Tools and Techniques of Generating an Idea:**

**Tools:**

1. Visualization is about using images. It's not about drawing; it's about visual thinking. It pushes us beyond using words or language alone. It is a way of unlocking a different part of our brains that allows us to think nonverbally and that managers might not normally use.

When you explain an idea using words, the rest of us will form our own mental pictures, usually informed by our training. When you say, "We need a new growth platform," the IT specialist sees servers and code and the marketing guru sees an advertising campaign. If instead you present your idea to us by drawing a picture of it, you reduce the possibility of unmatched mental models.

2. Journey mapping (or experience mapping) is an ethnographic research method that focuses on tracing the customer's "journey" as he or she interacts with an organization while in the process of receiving a service, with special attention to emotional highs and lows. Experience mapping is used with the objective of identifying needs that customers are often unable to articulate.

It's done by laying out a hypothetical view of what a certain customer group's journey looks like, even the part that doesn't include your firm. Then conduct pilot interviews with a small number of customers to be sure you're accurately capturing the steps. Finally, identify essential moments of truth and themes from the interviews and identify a number of dimensions that you believe to be useful in understanding the differences in the data you have gathered. The purpose is to produce a set of hypotheses for testing.

3. Value chain analysis examines how an organization interacts with value chain partners to produce, market and distribute new offerings. Analysis of the value chain offers ways to create better value for customers along the chain and uncovers important clues about partners' capabilities and intentions.

Value chain analysis is the business-side equivalent of customer journey mapping. It begins by working backward from value creation for the ultimate end customer and then adding the capabilities and bargaining power of other key suppliers.

4. Mind mapping is used to represent how ideas or other items are linked to a central idea and to each other. Mind maps are used to generate, visualize, structure and classify ideas to look for patterns and insights that provide key design criteria. We do this by displaying the data and asking people to cluster them in ways that allow themes and patterns to emerge. To succeed, mind mapping must be a team sport.



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Tap into the power of visualization to communicate the key components of what we have learned and display them as clearly and simply as possible. Create posters that capture key themes and trends in the data, then invite a group of thoughtful people to tour the visual data and note any learnings that they believe should inform new ideas, then cluster those learnings into themes. Look for connections between clusters and insights. Pose the question, “Based on what we have learned, if anything were possible, what attributes would our design have?”

5. Rapid concept development assists us in generating hypotheses about potential new business opportunities.

In the first stage, we take the design criteria, the customer personas and their pain points and the value chain insights we have unearthed in our research and use all of it to generate new ideas — lots of them. In the second stage, we assemble the ideas into a manageable number of interesting concepts. Finally, in stage three, we elaborate on the business design behind that handful of concepts. We want to generate ideas quickly and get them out to customers to have a look at them as soon as possible.

6. Assumption testing focuses on identifying assumptions underlying the attractiveness of a new business idea and using available data to assess the likelihood that these assumptions will turn out to be true. These assumptions are then tested through thought experiments, followed by field experiments.

Once you have determined which assumptions are most critical to the potential attractiveness of your new concept, identify the data that allows you to conclusively test key assumptions. Here, we are identifying the information we need and then figuring out how to get it.

Sort the data you need into one of the following three categories: what you know, what you don't know and can't know, and what you don't know but could. The third category is pay dirt for the creation of thought experiments. Identify what it would take to get the data quickly, then design your thought experiment, paying special attention to the data that could prove you wrong.

7. Rapid prototyping techniques allow us to make abstract new ideas tangible to potential partners and customers. These include storyboarding, user scenarios, experience journeys and business concept illustrations — all of which encourage deep involvement by important stakeholders to provide feedback.

Prototyping is all about minimizing the “I” in ROI. The cost of a simple 2-D prototype could be as low as a pen and some paper. Business concept prototypes generally take visual and narrative forms: images and stories. They can even include role-playing and skits. Play with your prototype; don't defend it. Let others validate it — not the people who created it.



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8. Customer co-creation incorporates techniques that allow managers to engage a customer while in the process of generating and developing new business ideas of mutual interest. They are among the most value-enhancing, risk-reducing approaches to growth and innovation.

In our Six Sigma world, which values perfection and polish, we tend to get anxious about showing customers unfinished, unpolished “stuff.” Get over it. Innovation is about the learning, and customers have the most to teach us. The sooner we get something in front of them that they can react to, the faster we will get to a differentiated value-added solution.

Engage a diverse and candid group of customers one at a time. Provide them with visual stimulus, but nothing fancy at this stage. Leaving parts of the concept incomplete is a great way to elicit the customers’ creativity and competence. Offer two or three options and begin exploring one they are drawn to.

9. Learning launches are designed to test the key underlying value-generating assumptions of a potential new-growth initiative in the marketplace. In contrast to a full new-product rollout, a learning launch is a learning experiment conducted quickly and inexpensively to gather market-driven data.

We call them launches, rather than experiments, because they are meant to feel real to both launchers and customers. Only then can they yield reliable data. They are an extension of the co-creation process, but at this stage, we are asking customers to put their money where their mouths are. People who say they will buy remain only potential customers. The only true test of the value of an idea for customers is their willingness to part with cold hard cash. (For more on learning launches, please see “The Learning Launch: How to Grow Your Business With the Scientific Method.”)

10. Storytelling is exactly how it sounds: weaving together a story rather than just making a series of points. It is a close relative of visualization — another way to make new ideas feel real and compelling. Visual storytelling is actually the most compelling type of story. All good presentations — whether analytical or design-oriented — tell a persuasive story.

Like images, stories allow us to access emotions and emphasize experiences. They add the richness of context and allow us to “sell” a problem as well as its solution. With any luck, they keep their audiences awake.

Good stories follow some basic principles: Be sure to identify your audience. It is critical to create a storyboard; it allows us to pay careful attention to flow and logic. Set the scene to sell the problem, make your cast of characters feel real and work the plot; all good stories unfold with some tension, and maybe some surprises develop — here is where you think about how to combine data and pictures to drive home your points. For the climax, unveil your resolution to the problem. Make it compelling. And don’t forget the use of metaphors and analogies to bring your story to life!



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**Ideation Techniques:**

No "best" practice exists since its usefulness varies depending on the situation. But here are some of the most widespread and effective ones.

**1. Mind Mapping**

Think of a mind map as a visual way to untangle your thoughts. You start with a single word or idea in the board's center— like planting a seed. From there, you branch out, adding related concepts, keywords, or sketches that connect to the core idea. It's a simple but powerful way to see how everything fits together and spark new ideas you might not have thought of otherwise.

The best thing about a mind map is that it changes and evolves. It follows the flow of ideas, connecting different parts of the concept and showing the thinking process. When connecting ideas visually, people see how things relate. Till the image is completed — both on the paper and in your mind.

**2. SCAMPER**

SCAMPER involves creating a checklist of prompts to think about a problem from different angles and develop innovative solutions. The method guides your thinking process through seven different approaches. Each of them corresponds to one of the letters of the acronym:

- "Substitute" prompts you to consider parts of the problem, product, or idea you can replace or swap.
- "Combine" suggests merging different aspects of a product, service, or problem in new ways.
- "Adapt" encourages adapting or adjusting existing solutions or elements to new situations.
- "Modify" is about thinking of how you could change or alter the current situation or its elements.
- "Put to another use" involves considering how you might use an item or process other than for its intended purpose.
- "Eliminate" is removing product, service, or process elements. It's about creating value by eliminating what's unnecessary and focusing on what's essential.
- "Reverse" or "rearrange" suggests turning a situation or problem on its head.

**3. Brainstorming**

Brainstorming aims to encourage a flood of ideas. It uses the principle of "quantity over quality." Participants often feel more comfortable sharing their thoughts when we emphasize generating



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many ideas. Creating a non-judgmental atmosphere during these sessions is so important — every idea, no matter how wild or unconventional, is happily welcomed!

#### **4. Round-Robin Brainstorming**

With this approach, each participant adds an idea in turn. As a result, everyone gets a chance to contribute and be helpful when some team members often dominate the conversation.

#### **5. Brainwriting**

The main difference between brainstorming and brainwriting is simple. Extroverted people prefer the first method. Brainwriting has one more detail that is often more efficient for those who aim to think more than talk. It's a fantastic technique for our introverted team members, allowing everyone to shine.

#### **6. Six Thinking Hats**

Edward de Bono, a Maltese physician, invented this method. It is straightforward: individuals approach problems from various perspectives, metaphorically represented by different "hats." Each "hat" signifies a distinct type of thinking. By adopting different hats, participants can effortlessly transition between diverse viewpoints.

- White Hat (neutrality and objectivity). Participants focus on data and information. They look at the facts, figures, and evidence.
- Red Hat (feelings and intuition). Participants express their emotions, gut reactions, and hunches without justification or explanation. It provides a space to explore the emotional landscape.
- Black Hat (judgment and caution). Team members evaluate ideas critically. They look for potential problems, risks, and adverse consequences.
- Yellow Hat (positivity and optimism). Participants focus on the benefits, feasibility, and positive aspects of an idea or a decision.
- Green Hat (creativity). Participants generate new ideas, alternative solutions, and fresh concepts.
- Blue Hat (control of the process). Including organizing the thinking process, setting the agenda, and drawing conclusions. When wearing the blue hat, participants manage the other hats, summarizing and synthesizing gathered input.

#### **7. Sketching and Prototyping:**

Sketching and prototyping are the most popular techniques for bringing product ideas to life. They play an essential role in turning abstract thoughts into tangible forms. Usually, sketching acts as the first step in this exciting journey, where quick and straightforward drawings help illustrate an idea or concept.



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Prototyping takes idea visualization one step further. It varies from low-fidelity paper prototypes to high-fidelity digital interactive ones. One of the primary benefits of prototyping is identifying potential issues or improvements early in the process.

### **8. Role Play**

This technique is the most amusing and ground breaking one. Trying on someone else's role broadens your mind and helps you think differently. A great example of this is training in the sales department, where one manager plays the role of the customer while the other works on objection handling.

### **9. Journey Mapping**

Imagine: there's a big board in front of you with one word in the middle of it. You aim to turn on your creativity and draw all the synonyms that come to mind. Journey mapping seeks to use your unconscious part and get non-trivial thoughts. You have a task; you use your energy to generate all possible (or even impossible) solutions to resolve it.

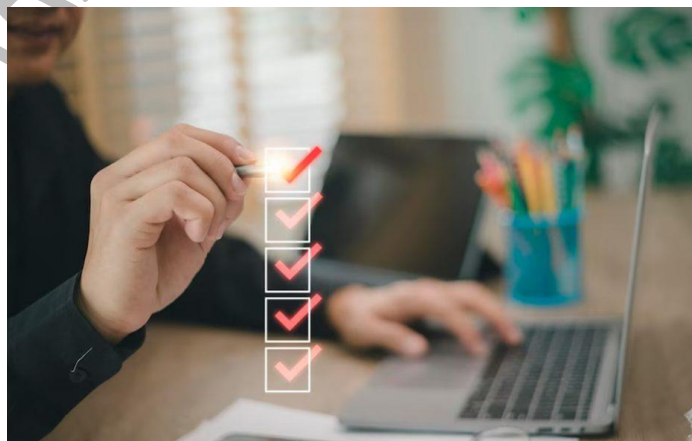
### **10. Reverse Thinking or Problem Reversal**

Instead of thinking about ways to solve the problem, sometimes finding what is causing it is more efficient. Although problem reversal might initially feel a bit surprising, this change in viewpoint can open up new insights into the issue and spark some truly creative solutions.

Taking a moment to look at how the problem is created can help. Analyze its details, characteristics, and effects. This thoughtful approach brings you a deeper understanding of the problem and opens up ideas for potential solutions.

While going through the ideation phase of design thinking, we aim to encourage free thinking and foster creativity. That's why the techniques we use for ideation are wonderfully diverse and adaptable, sparking a world of possibilities.

### **Selecting a Good Business Opportunity:**





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### **1. Clarity**

Clarity is crucial in the identification of good business opportunities, meaning that the product or service being offered, the target market, the problem being solved, and the value proposition should be well-defined.

With clarity, it's easier to develop a focused strategy and effectively communicate with stakeholders such as investors, partners, and customers. Clarity helps in understanding the market dynamics, customer needs, and competitive landscape, enabling better decision-making and resource allocation.

### **2. Feasibility**

Feasibility refers to the practicality and achievability of the business opportunity. It involves assessing whether the resources, skills, technology, and infrastructure required to execute the opportunity are available or can be acquired within a reasonable timeframe and budget.

Feasibility analysis helps evaluate potential risks and challenges, determine if the opportunity aligns with the business's capabilities and objectives, and estimate the likelihood of success. A feasible opportunity is one that can be implemented effectively and efficiently to generate desired outcomes.

### **3. Relevance**

Finding what is relevant is one of the most important steps in the identification of business opportunities. A good business opportunity should be relevant to current market trends, consumer preferences, industry dynamics, and societal needs. It should address a genuine pain point or fulfill an unmet demand in the market.

Relevance ensures that the opportunity has the potential to attract customers, generate demand, and create value in the long term. Understanding the evolving needs and behaviors of the target audience is crucial for identifying relevant opportunities and staying ahead of the competition.

### **4. Scalability**

Scalability refers to the ability of a business opportunity to grow rapidly and efficiently without compromising quality or increasing costs disproportionately.

A scalable opportunity can expand its operations, reach new markets, and serve a larger customer base without significant incremental investment or operational hurdles.

Factors such as standardized processes, technology-driven solutions, flexible infrastructure, and effective resource allocation contribute to scalability. Scalable opportunities have the potential to achieve sustainable growth and higher returns on investment over time.



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**5. Profitability**

Profitability is perhaps the most critical trait of a good business opportunity. It involves assessing the potential for generating revenues that exceed the costs associated with acquiring, producing, and delivering the product or service.

Profitability depends on various factors such as pricing strategy, cost structure, market demand, competition, and scalability. A profitable opportunity generates positive cash flows and creates value for shareholders, investors, and other stakeholders. Evaluating the long-term profitability of an opportunity helps in making informed decisions about resource allocation, investment prioritization, and strategic direction.

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**Unit: III**

**Setting up of an Enterprise**

**Process of Setting Up an Enterprise:**

Setting up an enterprise involves a multi-step process that includes identifying opportunities, developing a business plan, securing funding, and managing legal and operational aspects. The key steps include selecting a project, choosing a business structure, obtaining necessary registrations and clearances, arranging for resources like land and machinery, and developing a marketing strategy.

**1. Idea Generation and Feasibility:**

- This involves market research, studying consumer needs, and exploring project profiles.
- Evaluate various ideas based on market research, consumer feedback, and competitor analysis.
- Assess the technical, commercial, financial, and socio-economic aspects of the business idea to determine its viability.

**2. Planning and Preparation:**

- This outlines the business venture, its organization, production, marketing, finances, and its importance to the economy.
- Decide on the legal structure of the enterprise (sole proprietorship, partnership, LLC, etc.).
- Choose a specific product or service, determine the production process, location, and potential partners.
- Identify funding sources like loans, grants, investors, or bootstrapping.
- Secure land, buildings, machinery, equipment, raw materials, and human resources.

**3. Legal and Regulatory Compliance:**

- Register the business with relevant authorities.
- Secure necessary permits, licenses, and approvals from regulatory bodies.
- Adhere to all applicable laws and regulations.

**4. Implementation and Operations:**

- Put the business plan into action.
- Plan how to reach target customers and sell the product or service.
- Oversee production, distribution, and other business activities.



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- Ensure all final approvals are in place before commencing full-scale operations.

**5. Ongoing Management:**

- Track key performance indicators to assess the success of the enterprise.
- Continuously evaluate and adjust strategies to optimize performance and adapt to changing market conditions

**Forms of an Enterprise:**

Six forms of enterprises that you can start in India are: 1. Sole Proprietorship 2. Partnership Firm 3. Company 4. Limited Liability Partnership 5. One-person Company 6.

**1. Sole Proprietorship:**

This is the simplest and easiest way to get started. Just decide on a name and start using it. A sole proprietorship is not restricted from employing people, acquiring assets, registering intellectual property, or opening a bank account. There is no paperwork necessary to indicate formation of the venture. It requires very little by way of documentation and legal compliances. The problem is that this structure is not conducive to growth.

A sole proprietorship implies a one-man show and in case more partners are taken on to fastens growth, the structure of the firm has to be changed to a partnership firm or a company. Lenders are also unwilling to lend as the business is in the hands of one individual and so, the risk is high. In case of liabilities arising from the conduct of the business, the losses have to be covered by the personal assets of the proprietor. The liability of the proprietor to pay off all creditors is unlimited.

**2. Partnership Firm:**

Two or more people can come together to form a partnership firm. It is required to draft a partnership deed, which is signed by all the partners indicating the formation of the partnership.





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This deed must clearly specify the name of the firm, the names of the partners, the capital contributed by each partner (currently and in the future), the ratio of sharing profit or loss between partners, the business of the partnership, the duties, rights, powers and obligations of each partner, and other relevant details. One of the partners can also be designated the managing partner. Particulars of salaries and other payments to the partners can also be mentioned in the deed.

The advantage of the partnership firm is that two or more people can come together to start a business and the regulatory and disclosure norms are relatively simple. The main disadvantage is that even in this form of business, the partners' liability to pay off creditors is unlimited.

### **3. Company:**

The legal status of a company is different from that of its members. The risk that any person takes by investing personal money in a company is restricted to the amount of his/her investment. The creditors and lenders of company cannot force the member to pay debts due to them by the company out of the member's personal funds.



A company may either be a private limited company or may be formed as a public limited company. The members of the company appoint directors who are responsible for the management of the company. The directors are collectively known as the Board of Directors.

A private limited company can be formed with a minimum of two members and a public company may be formed with a minimum of seven members. A private limited company can have a maximum of 50 members excluding employee-members; whereas there is no maximum limit on the number of members of a public company.



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The memorandum of association and the articles of association have to be filed with the Registrar of Companies in order to incorporate a company. The memorandum of association is the charter of the company and specifies the name of the company, the business and activities it can carry, its address, the capital of the company, and details of the persons who have formed the company. The articles of association of the company specify the rules and regulations of the company, the rights, duties, and liabilities of the members and directors.

#### **4. Limited Liability Partnership:**

This is a concept new to India and it was introduced on the recommendations of the J.J. Irani Committee. The unlimited liability of partners is the main reason why partnership firms have not been able to grow in size to be internationally competitive. The Limited Liability Partnership (LLP) has the benefits of limited liability but the members of the partnership have the flexibility to structure their organization as in a traditional partnership.

In an LLP, the LLP as an entity is liable for the full extent of its assets but the liability of individual partners is limited. So, now personal assets of partners are protected from liability arising from wrong decisions of other partners or employees not under their direct supervision.

The assets of a partner cannot be attached to pay the liabilities of arising from the conduct of business in an LLP. However, one important distinction from a company is that the liability of a 'negligent' partner continues to remain unlimited. The definition of a 'negligent' partner is sure to be much debated. Any new or existing firm of two or more persons can form an LLP.

#### **5. One-person Company:**

The concept of a one-person company (OPC) will encourage corporatization of entrepreneurial ventures. It is recommended that the OPC be registered as a private company with one member and at least one director. To distinguish it from other companies, the suffix OPC can be used.





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**6. Small Companies:**

Very demanding statutory requirements and an imposing fee structure discourage small companies from incorporation. The J.J. Irani Committee recommended that a framework should be developed to encourage growth of small corporate entities. It should enable them to achieve transparency at a low cost through simplified statutory and audit requirements and a reasonable fee structure.



**Sole Proprietorship:**

**Advantages of Sole Proprietorships:**

**1. The easiest and cheapest way to start a business:**

Though the process varies depending on the jurisdiction, establishing a sole proprietorship is generally an easy and inexpensive process, unlike forming a partnership or a corporation.

Compared to other business forms, there is very little paperwork a proprietor needs to file with their local authorities. As a result, proprietors do not have to wait long before they have permission to carry on a business.

The start-up fees are also low, in line with many government policies that encourage entrepreneurs to take risks and grow the economy by minimizing the friction of starting new businesses.



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**2. Few government rules and laws:**

There are very few government rules and regulations that are specific to proprietors. Sole proprietors must keep proper records, file, and pay taxes on the business income and other personal income sources.

Record keeping and tax filing obligations are generally no more complicated than maintaining records for individual tax filings. Due to the time and the effort, proprietors may wish to pay for specialized software and advisors to streamline the time spent on administration.

Government rules for larger enterprises and public companies, such as financial disclosure, require far more administration and do not apply to sole proprietorships.

**3. Full management control:**

Proprietors control all aspects of their business, including production, sales, finance, personnel, etc. This degree of freedom is attractive to many entrepreneurs, as the venture's success also means personal success.

To be successful, proprietors must be "good enough" at the various aspects of their business they have control over.

While some proprietors have employees and delegate some of their authority, they are ultimately accountable for all the decisions and acts of their business.

**4. Flow-through of business profit:**

There is no legal separation between the owner and the business, so the owner gets 100% of the profits. Although all profits go to the owner, taxes are paid once, and proprietors pay taxes individually.

Proprietors must pay individual taxes on the income periodically, for example, as part of the annual individual tax filing. Tax payments may be more frequent, for example, quarterly, depending on local tax rules.

Making regular payments can help a proprietor keep their tax burden from becoming overwhelming and incurring tax penalties. Tax advisors can help proprietors estimate taxes so they can set aside enough of the profits to make mandatory government payments.

**Disadvantages of Sole Proprietorships:**

**1. Unlimited legal liability:**

There is no legal separation between the owner and the business. Similar to how all profits flow to the owner, all debts and obligations rest with the proprietor.

If the business cannot satisfy its obligations, creditors may pursue the proprietor's personal assets in order to be repaid.



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This accountability is clearly outlined within legal documents signed with lenders, sometimes called a promissory note. A proprietor does not need to provide a personal guarantee to their sole proprietorship, as the two are the same legal entity in the eyes of the law.

**2. Limit to available capital:**

Owners put their own resources to bear when going into business for themselves. There are limits to their financial resources and the amount of credit they get when they seek out lending relationships.

Proprietors cannot sell shares, or interest, in their business to raise money.

Putting ideas into reality is risky and can be costly. Keeping a business going can be capital intensive. Some expenses must be incurred before revenue is generated. Any sales on credit, and any cash paid towards expenses, must be financed by working capital. Equipment and other long-use resources required for the business must be rented or financed.

If business requirements exceed the resources and financing available to proprietors, they will need to closely manage their working capital and potentially curtail the acquisition of fixed assets.

A fulsome business plan helps proprietors determine the capital necessary to start up, sustain, and grow the business.

**3. Backup and succession:**

If the owner cannot or does not want to operate the business, it stops. An owner may have a family member or trusted employee who can briefly work in place of the owner in the case of illness or any temporary and unforeseen reason.

Business interruption insurance may cover expenses for longer-term issues, but these policies cannot complete the work that a proprietor has already taken on.

Without a separate legal identity, sole proprietorships cannot readily pass any intangible assets from one owner to another. Aside from equipment and fixed assets, the value of the business is inherently tied to the proprietor.

To make any sale attractive, a proprietor must find someone with comparable skills willing to purchase the goodwill the owner has built up. If they cannot find a buyer, the proprietor may pass the business on to a family member or a trusted employee if one exists.

**4. Skills and experience:**

The proprietor must make “good enough” decisions in all business areas. If an owner does not have enough knowledge or skills, their decisions may be flawed. There is a finite amount of time to do things correctly or learn to do everything adequately.



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It can be difficult for individuals to manage all aspects of their business properly. The owner can hire employees, outside help, or get professional advice on parts of the business process.

The owner's ability to use their own time to earn greater profits to offset the cost of hiring help is a crucial consideration.

Employees, contractors, and other services may be too costly for such sole proprietorships. The owner's time must be productive enough to pay for the cost of hiring others.

**Types of Partnerships:**

**1.General Partnership:**

General partnerships (GP) are the easiest and cheapest type of partnership to form. Two or more general partners own it, with joint and several legal liabilities for all debts and obligations. They jointly manage and control the business.

A general partnership can immediately start when partners decide to conduct business together, even without an oral or written contract. This ease contrasts with potentially costly disputes that may arise between partners if they cannot resolve them amicably.

This type of partnership is simple to dissolve. For example, the partnership dissolves if any partners leave, go into bankruptcy, or pass away. Partnership rules differ worldwide. Some jurisdictions may offer alternatives for the remaining partners who wish to continue with the business.

Except for registering a business name, there are few government requirements specific to this type of partnership.

Ongoing government requirements are also limited. For example, holding an annual general meeting like a corporation or other kinds of business structures is unnecessary.

The partnership and its partners must regularly report and pay taxes on the partnership income. Taxes are paid by the partners rather than by the partnership.

A partnership agreement is valuable for many general partnerships. For example, it can describe a process to value and compensate a departed partner for their business interest. The transfer of interest may be more attractive to the remaining partners instead of dissolving the business altogether.

**2.Limited Partnership:**

A limited partnership (LP) is a type of partnership that limits the legal liability of some partners for debts and obligations. At least one limited partner is a passive contributor of cash and assets.

An LP gives contributors a way to invest without incurring legal liability. In some jurisdictions, this business structure is considered a separate legal entity that can enter into contracts and take on obligations.



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There is at least one general partner with unlimited legal liability. The general partner manages and controls the business.

When starting or dissolving this partnership, the LP must register and report to the local authorities. It is more expensive and complex than forming a general partnership.

To start, an LP must register the limited partnership's name and the general partners' details with the local authorities. To dissolve, an LP typically files a document, sometimes called a "Statement of Dissolution" or "Statement of Cancellation."

A written contract is an essential component when forming this type of partnership. A partnership agreement between partners covers their rights and responsibilities while protecting the limited partner's contributions.

There may be ongoing government requirements. For example, some jurisdictions need LPs to regularly file information reports to local authorities responsible for businesses in the area. However, holding an annual general meeting is not mandatory unless stated in the partnership agreement, unlike a corporation or some other kind of business structure.

The partnership and its partners must regularly report and pay taxes on the partnership income. The partners' portion is outlined in the partnership agreement. Taxes are paid by the partners rather than by the partnership.

**Limited Liability Partnership Firm:**

A limited liability partnership (LLP) is an extension of a general partnership that limits the legal liability of all partners. General partners in this type of partnership have protection from the wrongful acts of the other partners, such as negligence, misbehavior, and other unprofessional conduct.

In jurisdictions where this business structure is available, it is considered a separate legal entity that can enter into contracts and take on obligations.

Local authorities may restrict the structure to eligible businesses in knowledge-based industries, for example, legal and accounting professionals. Authorities may require proof of permission from the professional governing body before partners may form an LLP.

The partners manage and control the business.

When starting or dissolving this partnership, an LLP must register and report to the local authorities. It is more expensive and complex than forming a general partnership.

To start, an LLP must register the limited liability partnership's name and the number of partners with the local authorities. To dissolve, an LLP typically files a document, sometimes called a "Statement of Dissolution" or "Statement of Cancellation."



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A written contract is an essential component when forming this type of partnership. A partnership agreement between partners covers their rights and responsibilities while protecting the partner's contributions.

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The partnership and its partners must regularly report and pay taxes on the partnership income. The partners' portion is outlined in the partnership agreement. Taxes are paid by the partners rather than by the partnership.

**Partnership Agreement:**

In business, a partnership agreement is a contract stating the terms of a partnership – what it does, how it works, and how the partners can work together. The rights and responsibilities of the partners are a vital component.

An agreement can provide a way to handle capital interests if a partner departs. A sudden need to reorganize capital investment disrupts the business if a contract is not in place.

At the minimum, the departing partner (or their estate) expects to recover their contributions, assuming the partnership has been profitable. It may not be feasible if neither the partnership nor the remaining partners have enough liquid assets to return the contributions.

An agreement can describe other options, such as the process of valuing and transferring the departing partner's interest to the remaining partners, rather than dissolving the business entirely.

Attracting new partners can also be challenging if the partnership needs to expand beyond the partners' existing capacity. An agreement can set the rules for adding partners. The structure can attract prospective partners who do not have prior experience working together.

As partners jointly make decisions, disputes can occur. Any decision and dispute resolution process built into the agreement can provide a path forward. This process can save time, money, and effort.

A partnership agreement can reduce uncertainty when the partners need to finalize any decisions or resolve a dispute.

**Features of Joint Stock Company:**

Joint stock companies possess distinct features that differentiate them from other business structures.

1. A joint stock company is a separate legal entity from its shareholders. It can own property, enter contracts, and initiate or defend lawsuits.



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2. Shareholders are only liable for the company's debts up to the value of their shares. Their personal assets remain unaffected.
3. The company's existence is not affected by changes in membership, such as the death or resignation of shareholders. It continues to operate until legally dissolved.
4. Shareholders can sell their shares freely, especially in public companies, while private companies may impose restrictions on share transfers.
5. A joint stock company must be registered under the respective laws to gain its status as an independent entity.
6. Shareholders' Rights: Shareholders have voting rights and can influence decisions, such as appointing the board of directors.
7. Joint stock companies are required to publish financial reports and other critical information regularly, ensuring accountability to shareholders and the public.

These features make joint stock companies an efficient structure for large-scale businesses while ensuring legal protection for their shareholders.

**Types of Joint Stock Companies:**

Joint stock companies can be categorized into three main types based on their formation and governing laws:

**1. Chartered Company:**

A chartered company is formed under a royal charter or decree issued by the head of state. These companies were historically significant, such as the East India Company or the Hudson's Bay Company, and operated with special privileges granted by the government.

**2. Statutory Company:**

Statutory companies are established through specific acts passed by a country's parliament or legislature. These acts define the company's powers, objectives, and responsibilities. Examples include Indian Railways and Reserve Bank of India, which are governed by their respective legislative acts.

**3. Registered Company:**

Registered companies are formed by registering under the Companies Act or relevant business laws. These companies are further classified into:

- a. Private Limited Company: Shares are restricted to specific individuals, typically family or close groups, and are not publicly traded.
- b. Public Limited Company: Shares are freely traded on stock exchanges, allowing public investment.



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Each type of Joint Stock Company serves specific purposes, ranging from public service to profit-oriented business ventures.

**Advantages of a Joint Stock Company:**

Joint stock companies offer several advantages that make them a preferred business structure.

1. By issuing shares and debentures, companies can raise significant capital for expansion and operations.
2. Shareholders' personal assets are protected, as their liability is restricted to their investment in shares.
3. The company's continuity is unaffected by changes in membership, ensuring stability.
4. Shareholders can easily sell their shares in public companies, providing liquidity.
5. Regular disclosure of financial reports ensures accountability and builds investor confidence.
6. Access to large funds allows companies to hire skilled professionals and implement efficient management systems.

**Disadvantages of Joint Stock Company:**

1. Establishing and managing a joint stock company involves lengthy registration processes and compliance with various regulations.
2. Incorporation, management, and compliance with legal requirements incur significant expenses.
3. Disagreements may arise among shareholders, lenders, and the board of directors, leading to decision-making delays.
4. Public disclosure of financial reports and performance reduces confidentiality, which may expose business strategies.
5. Companies must pay corporate taxes on profits, and shareholders are taxed again on dividends received.

These limitations require careful consideration, especially for businesses weighing the trade-offs between control, transparency, and legal obligations.

**One Person Company:**

As per Companies act 2013. Section 2(62)(OPC) One Person Company as a company which has only one person as a member.



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**Nature of Business:**

One Person Company can be only registered as a private company; thus all the provisions of a private company are applicable to OPC unless otherwise expressly excluded in the Act or rules made thereunder

One Person Company can be converted into Public or Private Company and vice versa in certain cases.

The word 'One person Company' must be mentioned below the name of the company where ever applicable.

A person who is resident in India i.e. he has stayed in India for 182 days during the immediately previous financial year. However, one such person can't form more than one OPC or become the nominee of more than one for such a company

**Features of OPC (One Person Company):**

- Personality determined passion and execution of a business plan.
- The desire of the entrepreneurial person to take additional risk and willingness to take additional responsibility.
- Personal assurance to the business which is an only idea of the person close to his heart.
- It must have only one member and have only one director.
- The member and nominee should be the natural person who is Indian Citizens plus resident in India.
- Minor shall not become member nor become the nominee of the One-Person Company or hold a share with beneficial interest.
- One person Company can't be incorporated or changed into a company of section 8 of the Companies Act, 2013etc

**Restriction on the Incorporation of One Person Company:**

Conversion or incorporation of One Person Company into section 8 company is not possible. It cannot carry out a non-banking activity, including investment in securities of anybody corporate.

**How many types of OPC can be incorporated under the Act?**

- A company limited by shares or;
- A company limited by guarantee or;
- An unlimited company



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**Privileges Available to OPC:**

They are as follows:

- OPC provides new business ideas to the new start-up business
- The most important advantage is the limited liability which attracts many people to start up OPC
- OPC need not bother too much about compliance unlike Companies
- OPC requires minimal capital, to begin with. It can also raise capital from others like venture capital, other financial institution, etc.
- Compulsory rotation of auditor so appointed after the maximum term is not applicable.

**Choice of Form of an Enterprise:**

While choosing a particular form of an Enterprise, the following factors should be considered by an entrepreneur:

1. **Ease in Formation.** A business organization should be such which may be formed easily. An organization which involves the least expenses in formation and minimum legal formalities, is the best. Form this point of view, sole tradership and partnership are preferable.
2. **Liability.** Limited liability is an important feature of a good form of organization. It means that in case of insolvency or winding up, the owner(s) will be responsible only up to the amount of capital contributed by them. The company form of organization restricts the liability of an entrepreneur to the minimum.
3. **Nature of Business.** Nature of business activities is an important factor affecting the decision about the choice of organization. Business activity may be trading, manufacturing or rendering services. Trading business generally managed by a sole-proprietorship organization. Service activities are usually undertaken by proprietorship firm. For a manufacturing business, partnership or joint stock company organization may be a better choice.
4. **Ease of Raising Finance.** Capital is the life blood of the business. Without capital we cannot even think of starting a business. Where a large amount of capital is needed, company may be the right form of organization. But much would depend upon the facility with which finance can be reused.
5. **Control.** If an entrepreneur wants to have a direct control over his business, the preferable form would be sole proprietorship. If a partnership is created, the sole proprietor has to share control with other partners. In a private company, the promoters may be able to retain effective control over the business of company, but in



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case of a public company, the owners will have indirect control over the management of the company.

6. **Business Secrecy.** Ordinarily firm of organization which enables retention of business secrets is preferred to the one wherein business secret are difficult to preserve. From this point of view, the sole proprietorship is the most ideal form or organization. In case the partners have been chosen carefully, partnership form comes next to proprietor form of organization in this respect.
7. **Flexibility Operation.** An ideal form of business organizations one which allows for maximum flexibility of operations. In other words, it should provide enough scope to the entrepreneur to adjust and adapt to changes. Any right in regard to taking of new members or raising of additional capital will not serve the interests of business.
8. **Stability or Continuity.** From the point of view of stability, company form is the ideal form of organization because it remains unaffected by the continuance or discontinuance of its members, whereas sole-proprietorship and partnership get affected immediately if the partner or the sole proprietor ceases to exist.
9. **Freedom from Government Regulations.** A form of organization which does not attract too many government regulations in its day-to-day working is preferred to a form in which there are frequent government regulations. Some of the government regulations apply on the basis of the size of the business enterprise rather than on the basis of the form of its ownership. But still a company form of organization is subjected to more regulations by the Government than any other form. Sole proprietorship and partnership to that extent are in a preferable position.
10. **Taxation.** Everybody wants to minimize the burden of income-tax. While selecting the form of organization, impact of taxation should be given due consideration. Tax liability is not the same in all forms of ownership. The impact of tax burden should be considered in the light of the prevailing rates of tax.

**Feasibility Study:**





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A feasibility study assesses the viability of a project by analyzing its potential from various perspectives. The key areas of a feasibility study include marketing, technical, financial, commercial, and economic considerations. This analysis helps determine if a project is worth pursuing, modify it, or abandon it altogether.

**1. Marketing Feasibility:**

Evaluates the market demand for the product or service, analyzes the competition, and assesses the overall market environment.

- Understanding the target market, its size, demographics, and needs.
- Identifying competitors, their strengths and weaknesses, and market share.
- Analyzing current and future trends that could impact the project.
- Developing a plan to reach the target market and achieve sales goals.

**2. Technical Feasibility:**

Assesses the project's technical requirements, available resources, and the organization's ability to implement the project.

- Assessing the availability of necessary technology, equipment, and personnel.
- Defining the technical specifications and infrastructure needed.
- Evaluating the ability to produce the product or deliver the service at the required scale.
- Developing a detailed plan for the technical aspects of the project.

**3. Financial Feasibility:**

Determines the project's financial viability, including costs, revenues, and profitability.

- Estimating all project costs, including initial investment, operating expenses, and ongoing maintenance.
- Forecasting potential revenues based on sales volume, pricing, and market demand.
- Calculating profitability and return on investment.
- Identifying potential funding sources and their associated costs.

**4. Commercial Feasibility:**

Assesses the commercial viability of the project, including its potential for profitability and long-term sustainability.

- Evaluating the effectiveness of the proposed marketing and sales plan.
- Assessing the competitiveness and profitability of the chosen pricing model.



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- Evaluating the effectiveness of the chosen distribution channels.
  - Analyzing the costs and strategies for acquiring and retaining customers.

**5. Economic Feasibility:**

Evaluates the overall economic impact of the project, including its contribution to the economy and its potential for job creation.

- Assessing the number of jobs that the project is likely to create.
- Analyzing the overall economic impact of the project on the local and national economy.
- Considering the social benefits and costs associated with the project.
- Assessing the project's impact on the environment.

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**Unit: IV**

**Business Model Canvas and Formulation of Project Report**

**Introduction:**

The Business Model Canvas is used to visualise, develop and change business models. It can be used by new companies, start-ups, but also by existing companies that want to launch a new product, attract a new customer base or simply redevelop an existing product.

In project management, the Business Model Canvas should be used to visualize the project on one page in order to present it clearly and thus create a successful end product. To do this, a worksheet is divided into different areas: On the right are the external factors, such as customers; on the left are the internal factors, such as the company itself; and in the middle are the interfaces. The company's services provide a benefit to the customer, which can be represented there.

For each area of the worksheet there are key factors that need to be considered for a successful creation of the Business Model Canvas, as they form the basis for the creation. They act as a common thread.

**Project report**

A project report is a document created for a team or company that ensures a project stays on track. The project report should describe progress, milestones, and roadblocks.

Project Reports are a core part of any project management process. There are a few key documents necessary for successful project progress, and a project report is undoubtedly one of them.

Alongside a project plan, a project report holds significant weight in justifying budgets, team members, tools, and other resources. In this article, we'll explore one of the two types of project reports any project manager needs to be able to write. Report number one is an ongoing project status report; this report will be needed on more than one occasion throughout a project's life span and explores the overall progress of the project.

Report number two is a project completion report; this report comes at the end of the project and wraps everything up.

**Project Description:**

A project description outlines the details of one project, including all its phases and processes involved, in a single document. It addresses the problem that initiated the project and the desired goals and objectives.

But it doesn't have to stop there. The project description can also go into planning, including the activities that the team will execute, the timeline and even the location of the project. The benefits of the project are also outlined in the project description.



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This is done at the initiation phase of the project and will be referred to throughout the project as a refresher. The project manager is responsible for writing the project description and helps guide the project manager and their team throughout the life cycle of the project.

**1. Summarize**

Begin with an outline that should only be a few lines long, but answers the who, what, where, how and why of the project.

**2. Define**

Explain the reason for the project, such as the problem it solves or the niche it fills. This will define the purpose of the project.

**3. Justify**

Show your project stakeholders why this project is worth the investment. Prove that they'll get a good return and explain your metrics if necessary.

**4. Evaluate**

Make a cost-benefit analysis and show how you plan to measure those gains against the cost of the project.

**5. Explain the Project Approach**

Here you want to briefly explain how you'll meet the project goals and objectives. Describe the project management methodology and resources that will be used.

**6. Estimate the Timeline**

Forecast the duration of the project, including the working hours and resources for each phase of the project's life cycle.

**Market Survey Definition:**

Market survey is the survey research and unit of analysis of the market for a particular product/service which includes the investigation into customer inclinations. A study of various customer capabilities such as investment attributes and buying potential. Market surveys are tools to directly collect feedback from the target audience to understand their characteristics, expectations, and requirements.

Marketers develop new and exciting strategies for upcoming products/services but there can be no assurance about the success of these strategies. For these to be successful, marketers should determine the category and features of products/services that the target audiences will readily accept. By doing so, the success of a new avenue can be assured.



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Most marketing managers depend on market surveys to collect information that would catalyze the market research process. Also, the feedback received from these surveys can be contributory in product marketing and feature enhancement.

Market surveys collect data about a target market such as pricing trend analysis, customer requirements, competitor analysis, and other such details.

**Purpose of Market Survey**

**Gain critical customer feedback:** The main purpose of the market survey is to offer marketing and business managers a platform to obtain critical information about their consumers so that existing customers can be retained and new ones can be got onboard.

**Understand customer inclination towards purchasing products:** Details such as whether the customers will spend a certain amount of money for their products/services, inclination levels among customers about upcoming features or products, what are their thoughts about the competitor products etc.

**Enhance existing products and services:** A market survey can also be implemented with the purpose of improving existing products, analyze customer satisfaction levels along with getting data about their perception of the market and build a buyer persona using information from existing clientele database.

**Make well-informed business decisions:** Data gathered using market surveys is instrumental in making major changes in the business which reduces the degree of risks involved in taking important business decisions.

**Importance of Market Survey:**

There are 5 factors that depict the importance of a market survey.

1. **Understanding the demand and supply chain of the target market:** A product is most likely to be successful if it is developed by keeping in mind the demand and supply of the target market. This way, marketers can obtain insights about market capabilities to absorb new products and concepts to develop customer-centric products and features.
2. **Developing well-thought marketing plans:** The World is a target market for an organization, especially a well-established one. Getting data from the target market through thorough market research using market surveys and segmentation can be a source of creating concrete and long-term marketing plans.
3. **Figure out customer expectations and needs:** All marketing activities revolve around customer acquisition. All small and large organizations require market surveys to gather feedback from their target audience regularly, using customer satisfaction tools such as Net Promoter Score, Customer Effort Score, and Customer Satisfaction Score (CSAT) etc. Organizations can analyze customer feedback to measure customer experience, satisfaction, expectations etc.



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4. Accurate launch of new products: Market surveys are influential in understanding where to test new products or services. Market surveys provide marketers a platform to analyze the scope of success of upcoming products and make changes in strategizing the product according to the feedback they receive.

5. Obtain information about customer demographics: Customer demographics form the core of any business and market surveys can be used to obtain intricate and sensitive details about customer demographics such as race, ethnicity or family income.

**Types of Market Survey:**

Multiple types of market surveys are used by enterprises to collect data depending on the objective of their market research. The information collected can be used to study various aspects of the market to address topics such as the right time to launch the product/service, to understand the trends in the market, to measure customer loyalty, to study their competitors and many more.

There are various types of market surveys out of which we will talk about the top 10 to get information from customers about their demands, expectations and what they opine about the competitors. Each one of these market surveys has a different approach and has a marking impact on the various aspects of a business.

**Types of market surveys :**

1. Market Surveys for segmentation: An organization can spot existing and prospective customers and understand why the customers have chosen their products/services and the prospects have not yet made a purchase. This can lead to a structured market segmentation and analysis.
2. Market Surveys for exploring various aspects of the target market: Get information about factors such as market size, demographic information such as age, gender, family income etc. to lay out a roadmap by considering growth rate of the market, positioning, and average market share.
3. Market Surveys to probe into purchase procedure: How does a customer deciding on making a purchase? What are the factors that convert product awareness into sales? This type of market survey will unveil awareness, information, free trial, purchase, and repeat.
4. Market Surveys to establish buyer persona: These surveys are to build a buyer persona by knowing about customer preferences, inclination, and capabilities of purchasing a product.
5. Market Surveys to measure customer loyalty: What is the degree of loyalty that the customers have towards and organization? The answer to this question can be obtained by conducting a market survey.
6. Market Surveys to analyze a new feature or concept: It is essential for an organization to include market-compliant features and concepts. By carrying out a market survey to understand



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which features to launch, will help all the teams involved in the feature development process to do that with proper research.

7. Market Surveys for competitor analysis: Healthy competition is always good for an organization's progress. Market surveys done with the motive of competitor analysis will produce results about how does the target market weigh the organization's products/services in comparison to the others in the market.

8. Market Surveys to understand the impact of sales activities: Sales activities are the backbone of an organization and it becomes crucial to keep track of these activities. Market surveys for sales activities will produce a report of the impact of sales activities, whether their frequency needs to increase or any changes the audiences think should be inculcated in the sales process.

9. Market Surveys to assess prices for new products/services: Affordability of products also is an aspect that drives the market for organizations. Price ranges, product variants to cater multiple price ranges, target customers for each of the products etc.

10. Market Surveys for evaluation of customer service: Good customer service can lead to enhanced satisfaction levels among customers. Factors such as time taken to resolve issues, the scope of improvement, best practices of customer service etc.

**Fund Requirement:**

**Step 1: State the purpose of funding**

"Why do you need funding?" Is it to expand an existing business, launch a new product, or invest in new technology? Being clear about the purpose provides direction and builds confidence in lenders or investors.

Moreover, the funding purpose clarity makes it easier to communicate your financial needs—helping investors quickly assess your plan and make informed decisions.

But don't just say, "We need \$50,000 for business growth." No, that won't work. You need to explain the purpose behind the funding requirement clearly.

If your "why" is clear, the "how" and "when" will naturally follow.

So, write something like: "We need \$50,000 to purchase technologically advanced equipment to enhance the growth and development of the company."

**Step 2: Showcase the current financial situation**

Investors and lenders want to understand where your business stands financially before they agree to fund you.

This information helps them gauge your business's economic potential, assess its stability, and determine how well you manage your existing resources.



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A clear financial snapshot will also give investors a better understanding of your business's strengths and potential risks. Consider answering the question: "Why should we trust you with our money?"

**Step 3: Specify the amount of funding required**

Provide the exact amount of new funding you're requesting. Remember, investors can easily tell if you've made up numbers without real research or calculations.

Asking for too little shows you don't understand the full scope of your needs, and asking for too much makes you look greedy or unprepared.

Thus, break it down and inform how much is needed in different phases or categories. Avoid vague figures and ensure your numbers in the funding requirements section are realistic and well-researched.

Example: "We are seeking \$750,000, which will be required in the following different phases of our business growth:"

**Step 4: Explain how funds will be used**

This is where you get specific. Investors want to know where their money is going. Provide a detailed breakdown of how you will allocate the funds.

Show that you have a clear spending plan and understand the cost structure of your business.

Importantly, don't just list expenses in the funding requirements section. Show how each of the expenses will drive growth or solve a critical problem for your business.

**Step 5: Offer a realistic repayment and return plan**

No one will hand you money without understanding the return. Whether it's a loan or equity investment, explain how the lender or investor benefits.

Be transparent and realistic, and avoid over-promising. Offer a balanced view of potential ROI or repayment terms.

Example for debt financing:

"We project that with the increased revenue from this expansion, we can repay the loan within 5 years, with a 10% annual interest rate."

**Step 6: Outline future funding planning**

Once you've outlined your current funding needs, it's essential to demonstrate how you plan to handle future funding requirements.

Investors want to know that you're not just thinking about immediate needs but are also planning for long-term growth and financial sustainability.



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**Legal Compliance of setting Up of an Enterprise:**

**Formation and Structure:** Choosing the right legal structure for your business (sole proprietorship, partnership, LLC, or corporation) has legal and tax implications.

**Licenses and Permits:** You may need specific licenses and permits to operate legally, depending on your industry and location.

**Taxation:** Understanding and complying with federal, state, and local tax regulations is crucial to avoid penalties and ensure financial stability.

**Employment Law:** Regulations governing hiring, compensation, benefits, termination, and employee rights must be followed for a fair and compliant workplace.

**Data Privacy:** With an increasing emphasis on data protection, businesses must handle customer and employee information responsibly according to relevant data privacy laws.

**Consumer Protection:** Fair advertising practices, product safety regulations, and warranty obligations all fall under consumer protection laws that businesses must adhere to.

**Contract Law:** Understanding contract formation, interpretation, and execution is essential for any business transaction.

**Intellectual Property:** Protecting your intellectual property rights, such as trademarks, copyrights, and patents, safeguards your brand and innovations.

**Registration:**

**Company Registration Process in India:**

To start a Private Limited Company, members or promoters have to fulfill certain minimum requirements regarding the number of shareholders, directors, name and registered address. We have mentioned all these requirements in the table below. After the requirements are met, the promoters will have to get the Company formally incorporated by the Registrar of Companies. This is an application-based process and we have discussed a stepwise guide for it below. Follow the guide for complete documentation and process of company registration.

**Step 1: Acquire DIN & DSC of Promoters**

All directors of a Private Limited Company must have their DIN or Director Identification Numbers before the process of company registration begins. To apply for Director Identification Number, applicants can submit form DIR-3 on the MCA website with documents like PAN, Address Proof and Photograph. Also, the authorised director must have a Digital Signature of Class 3 to certify the online company registration application.

**Step 2: Select & Reserve Company Name**

The name of your company cannot just be a random word. It must represent your brand and business activity to be recognizable by your customers appropriately. Additionally, the name must



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also comply with the MCA guidelines and must not be similar or identical to the name of an existing Company, LLP, or a registered trademark. You can approach us to check the validity of your company's name before registration. After you're sure that your company's name is valid, get it approved and reserved by the ROC.

For reserving the company's name, an application in SPICE Plus PART A form can be filed to the ROC. The applicant can propose two names per application at a fixed government fee of Rs.1,000. After thorough examination of the proposed names, the ROC is going to reserve the one that's valid and available for the company. Upon Name Reservation, the company receives a Name Approval Letter, valid only for the next 20 days. The applicant must make sure that the Company Registration process gets completed within the validity period.

### **Step 3: Draft MOA & AOA**

MOA and AOA of the Company are two important legal documents that must be submitted to the ROC for registration. These must be drafted on a stamp paper of appropriate value, and signed by all shareholders in the presence of a Public Notary. The Notary will then stamp the documents on which stamp duty and notary charges will have to be paid. MOA, also called a company's charter, contains its basic legal information. AOA on the other hand contains the rules and regulations of internal management.

### **Step 4: File SPICE Plus Application**

SPICE Plus or INC-32 is a web-based application submitted for company registration in India. It is divided into PART A & PART B. As mentioned earlier, PART A is filed for Name Approval of a Company. PART B, on the other hand, is an integrated application used for company incorporation. You can fill out this form and submit it on the MCA website to get your company registered by the ROC. We have discussed the documents and cost of its filing further in the blog.

### **Step 5: Get Company Registration Certificate**

The SPICE Plus application, with all the documents and fees, gets examined by the ROC. Upon successfully verifying all the information, the ROC proceeds with the Company Registration process. It registers the company and issues a Certificate of Registration in its name. The Certificate of Registration contains the CIN or Corporate Identification Number as the unique identifier of the company. Also, along with the Certificate, the Company is allotted a PAN and TAN in its name.

### **Documents Required in Company Registration Process**

Documentation is a very crucial aspect of the Company Registration process in India. Without the submission of adequate, accurate and updated documents, the chances of your application being approved and your company getting successfully registered are minimal. Here's the list you must follow while preparing the documents for Private Limited Company Registration.



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1. **Documents of Promoters:** Promoters are the first shareholders and directors of a Company who have an interest or contribution in its foundation. All these promoters are required to submit a few personal documents for company registration. These include their PAN cards, Adhar Cards, latest utility bills as Address Proofs, and passport size coloured photographs.
2. **Documents of the Registered Office:** Registered Office of the Company is the address with which the company gets registered or incorporated. The Proof of Address of this location has to be submitted for company registration. You can provide utility bills in the name of the company for this purpose. Make sure that such bills are recent and not older than 2 months from the date of application. Aside from this, the office property owner must issue a No Objection Certificate in the Company's name.
3. **Legal Drafts & Forms:** Legal Documents like the Company's Memorandum of Association (MOA) and Articles of Association (AOA) also have to be drafted and submitted for Company Registration. While MOA contains the basic and foundational legal details of the company, AOA documents all of its internal rules and regulations. These documents must be stamped, notarised and signed by all the shareholders. Other than these, DIR-2, INC-9, and INC-14 forms have to be submitted. DIR-2 confirms the director's consent to act as the same in the company. INC-9 and INC-14 contain declarations by first directors and a practicing professional respectively.

**Source of Funds:**

Source of funds refers to the origin of funds used in a transaction. It relates to the account that was used to make a payment and the source of the money in that account.

Businesses must put checks in place relating to the source of funds (SOF) to ensure that their customers are not using transactions to launder money gained through illegal activities. This is one of many steps that organizations must take to ensure that they comply with anti-money laundering legislation such as the 6th Anti Money Laundering Directive (6AMLD).

Establishing the source of funds can be complicated, particularly where transactions are made through companies. In such cases, businesses must dive deep in order to comply with anti-money laundering (AML) legislation, establishing facts ranging from how the company makes its money to who is the ultimate beneficial owner of a business – that is, the person who will ultimately gain financially.

Despite the difficulties, businesses must put processes in place to ensure that their verification of sources of funds is sufficient to meet the requirements of AML legislation. Failure to do so could result in legal proceedings, heavy fines, and extensive reputational damage due to the resulting association with criminals.



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### Differences between Source of Funds and Source of Wealth

It's important to note that source of funds and source of wealth (SOW) are not the same thing. As we've discussed above, establishing the source of funds relates to identifying where the money used in a transaction has come from. A source of wealth, on the other hand, refers to the origins of a person's overall wealth, rather than the funds relating to a single transaction.

This means that businesses looking into the source of an individual's wealth must undertake additional work to that required for the verification of the source of funds.

Businesses weighing up whether they need to undertake source of funds versus source of wealth verification checks are largely guided by regulatory requirements. Those working in the banking, insurance, property, and financial services sectors, for example, are likely to look far more closely at the source of wealth, due to the nature of the work they undertake and the amount of money that they process.

While businesses can establish the source of funds used in a transaction by checking financial documents, the source of wealth verification must look deeper. An individual who has accumulated their wealth through employment, for example, could show their contract, pay stubs, tax returns, and other salary-related documents as evidence. One who has inherited wealth could provide evidence of the transfer of funds from the estate of the deceased, including documentation of any tax paid in relation to the inheritance. Wealthy business owners, meanwhile, could show their income statements, contracts, sales documents, and so forth.

The evidence requirements involved in SOF versus SOW checks will vary from case to case. As such, businesses need to be flexible in their approach and ensure that the checks they undertake are always suited to the customer in question.

### Best Solutions for Source of Funds Verification

Effective source of funds verification is essential for businesses to comply with anti-money laundering (AML) regulations and prevent financial crimes. Implementing AML screening and pre-KYC checks can streamline this process significantly.

AML screening involves checking customer information against watchlists, such as those for politically exposed persons (PEPs) and sanctions. This allows businesses to identify high-risk individuals before they enter the customer base. Integrating these checks into the onboarding process enables efficient assessment of fund legitimacy while ensuring regulatory compliance.

Pre-KYC checks allow you to gather essential customer information early in the customer journey via advanced technologies including digital footprint analysis, IP analysis and device intelligence. This proactive approach reduces friction during the KYC process, saving time and minimizing the risk of engaging with customers whose funding sources may be questionable.

By combining AML screening and pre-KYC checks, businesses can establish a robust framework for SOF verification. Advanced solutions can automate these processes, ensuring thorough checks



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without overwhelming customers. This dual approach enhances compliance and protects businesses from reputational damage and financial penalties associated with non-compliance.

**Modern Sources of Funds:**

**1. Crowd funding**

In this internet age, crowd funding is a great way to get a number of individuals interested in your idea, product or service and raise money from them.

This method uses the power of the crowd to invest small amounts, and bets on mass appeal.

Originally, crowd funding was used by nonprofits to gather donations, very similar to 'chanda' collected in India during festivals. Today, online crowd funding platforms generate financial backing for a variety of startups and projects.

**There are multiple types of crowd funding that MSMEs can use:**

- Equity-based crowd funding is when the investor gets a small percentage of share of the business in exchange of the investment pumped in.
- Reward-based crowd funding involves individuals investing small amounts of money in exchange for a reward such as free service or a prototype product.
- Debt-based crowd funding is when investors put in money with the understanding that it will be repaid with interest.
- GoFundMe is very popular globally, with Milaap, Rang De and Kickstarter being top platforms in India.

**2. Angel investors:**

- For startups and young businesses that have a great idea or product but need a launch pad, angel investing is a great source of funding. Angel investors are also popularly known as seed investors or informal investors.
- These investors help businesses get off the ground, while mentoring entrepreneurs and helping them learn the ropes.
- There are thousands of such investors in India, mostly affluent businessmen or corporate leaders. They usually invest in niche areas.
- In addition to the moolah, it is critical to find an investor that has experience and interest in your specific industry. Not only will their mentorship be valuable, their huge network will also prove to be a bonus to help expand your business.
- The best way to meet angel investors is at networking events and pitch sessions.



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### **3. Venture capitalists:**

Venture Capitalists (VCs) come in at a later stage of business growth. They provide capital to firms exhibiting high growth potential in exchange of stake in the company.

VCs usually invest in businesses already making money.

**To get a VC interested in your business is not an easy task. You will need to have:**

- A strong and sustainable business model,
- Proven sales records
- Loyal customers

They also look for a strong management team before they invest.

Ensure you partner with a VC who understands your business and is aligned with your growth, as you will be giving them a say in your business. While for most businesses, getting VC funding is the ultimate goal, the focus should be on partnering with the right VC firm.

Top VCs in the country include Accel, Blume Ventures, Chiratae Ventures, Nexus Venture Partners and Sequoia Capital India.

### **4. Business plan competitions**

You may not have the opportunity to pitch your idea on Shark Tank, but keeping an eye out for business competitions near you. These can offer a small window of opportunity to get seen and heard by the right people.

Many B-schools and savvy corporates organise business plan competitions and hackathons that attract the brightest minds across the country.

The finalists get to present their business ideas to some of the biggest VCs in India. A winning pitch can get you a considerable cash prize, access to an accelerator programme and equity participation from interested investors.

Wharton India Startup Challenge, STARup, Innopreneurs and Raise My Startup are few leading platforms that can help MSMEs get a shot in the arm.

### **5. P2P lending**

The new-age lending model called Peer-to-Peer platforms (P2P) allows retail investors to lend money to peers or small businesses via a fintech company's digital platform.

Applicants are vetted by the Fintech Company or intermediary based on complex algorithms that assess the credit-worthiness of the proposed borrowers over various risk factors.

Based on the risk profile, interest obligation on P2P loans can start as low as 12% up to as much as 35%. The cost to the borrower is directly proportionate to the risk involved for the lender.



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An investor has the option of fulfilling partial or complete requirements of a business. Most fintech companies allow only a partial investment in a single requisition, with multiple investors contributing small amounts to a single business.

P2P loans are a good option for stop-gap and working capital requirements with speedy approvals and disbursements.

### **6. Government schemes**

Presently, India is the second-fastest-growing economy in the world. Small and medium enterprises (SMEs) form the backbone of our economy, producing 45% of the industrial output and 40% of total exports. However, they struggle to find adequate credit at a reasonable cost.

Many startups have the funds to begin operations but as business grows, they need financial assistance to give their business a boost. The most common credit requirements for small businesses are:

- Working capital loans for bridging gaps in cash flow and fund day-to-day operations
- Term loan requirement for business expansion and capital purchases, such as land or buildings
- Equipment financing for procurement or up-gradation of machinery

Banks can be reluctant in lending to small businesses given the high risk involved, and often request for collateral security. However, budding entrepreneurs don't often have property or other possessions valuable enough to secure bank loans.

The Government of India (GOI) is betting big on the entrepreneurial spirit of India and doing its bit to promote and support MSMEs by providing several government business loans to facilitate the credit to small companies.

Most of these loans are available at extremely competitive rates, usually much cheaper than personal loans with flexible repayment tenures ranging from five to 11 years.



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**Unit: V**

**MSME's and Support Institutions**

**Women Entrepreneurship in India**

The increasing presence of women as entrepreneurs has led to significant business and economic growth in the country. Women-owned business enterprises are playing a prominent role in society by generating employment opportunities in the country, bringing in demographic shifts and inspiring the next generation of women founders.

With a vision to promote the sustainable development of women entrepreneurs for balanced growth in the country, Startup India is committed towards strengthening women entrepreneurship in India through initiatives, schemes, creation of enabling networks and communities and activating partnerships among diverse stakeholders in the startup ecosystem.

**Central Government Schemes**

**List of Government Schemes for Women/Female Entrepreneurs In India**

In recent years, the Indian government has introduced several government schemes for women to support and uplift female entrepreneurs. These initiatives focus on providing financial assistance, training, and opportunities to help women build and sustain their businesses. Here's a detailed look at some of the top schemes aimed at fostering women empowerment through entrepreneurship:

**1. Udyogini Scheme**

The Udyogini Scheme focuses on empowering women by offering financial assistance to start or expand their businesses. This scheme supports a wide range of industries, particularly in rural areas, and provides loans at concessional rates. Women from economically weaker sections can benefit significantly from this initiative.

**2. Stand Up India Scheme**

The Stand Up India Scheme aims to support women and SC/ST entrepreneurs by offering loans between ₹10 lakh and ₹1 crore. This initiative helps women establish enterprises in manufacturing, trading, or service sectors. Its goal is to enhance financial independence and encourage entrepreneurship among underrepresented groups.

**3. Annapurna Scheme**

The Annapurna Scheme is designed for women entrepreneurs who want to start food-based businesses. Under this scheme, women can access loans of up to Rs. 50,000 to purchase equipment and raw materials. The scheme promotes women-led businesses in the food industry, contributing to both economic growth and self-reliance.



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#### **4. Mudra Yojana Scheme**

The Mudra Yojana Scheme is one of the most popular government schemes for women empowerment, offering collateral-free loans to small businesses. Women entrepreneurs can avail loans under three categories—Shishu, Kishor, and Tarun—depending on the stage and scale of their business. The initiative provides financial stability and boosts the growth of MSMEs.

#### **5. Mahila Udyam Nidhi Scheme**

The Mahila Udyam Nidhi Scheme, offered by Small Industries Development Bank of India (SIDBI), supports women entrepreneurs in setting up new ventures or expanding existing businesses. The scheme provides financial assistance of up to ₹10 lakh with flexible repayment options. It encourages innovation and business growth among women in the MSME sector.

#### **6. Pradhan Mantri Rozgar Yojana (PMRY)**

The Pradhan Mantri Rozgar Yojana offers financial assistance to unemployed women who wish to start their own businesses. It provides loans of up to Rs. 2 lakh for businesses in manufacturing, trade, and services. The initiative is a significant step toward reducing unemployment and fostering entrepreneurship among women.

#### **7. Mahila Coir Yojana**

The Mahila Coir Yojana focuses on empowering rural women through coir-based industries. Under this scheme, women can receive financial assistance for purchasing equipment and training to produce coir products. It encourages self-employment in rural areas, contributing to the overall economic development of women.

#### **8. TREAD Scheme (Trade Related Entrepreneurship Assistance and Development)**

The TREAD Scheme is designed to support women entrepreneurs from economically weaker sections. The scheme provides financial assistance, skill development, and counseling to help women establish successful businesses. By fostering entrepreneurial skills, it ensures the sustainable growth of women-led enterprises.

#### **Benefits of Government Schemes for Women**

Government schemes in India have become a powerful catalyst for women entrepreneurs in the MSME sector, transforming aspirations into reality.

**Targeted Financial Support:** these initiatives address the hurdles women often face, such as limited access to capital and credit. The provision of loans at favourable terms, coupled with subsidies, ensures that women can embark on entrepreneurial journeys with greater confidence and fewer barriers.

**Beyond Financial Aid:** these schemes emphasize skill enhancement, providing women with training programs tailored to modern business needs. This empowerment through knowledge not



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only builds technical and managerial expertise but also fosters self-reliance, enabling women to navigate the competitive landscape with ease.

**Access to Markets and Technology:** Additionally, the government facilitates access to markets and technology, bridging the gap between grassroots innovation and broader opportunities. These schemes provide platforms for women entrepreneurs to showcase their products, connect with buyers, and adopt modern tools to scale their businesses.

Collectively, these efforts are fostering an environment where women-led MSMEs can thrive, contributing to economic growth and driving societal change. Women entrepreneurs are no longer just participants but key players in shaping the future of India's business landscape.

### **Importance of MSME in the Economic Development of India**

#### **1. Employment Generation**

MSMEs serve as significant sources of employment, particularly in economically disadvantaged regions. They provide opportunities for both skilled and unskilled labour, thereby contributing to job creation and reducing unemployment rates.

#### **2. Promotion of Entrepreneurship**

MSMEs foster entrepreneurship by providing a platform for individuals to start and grow their businesses with relatively low investment requirements. They encourage innovation and creativity, driving economic dynamism and fostering a culture of entrepreneurship within the society.

#### **3. Regional Development**

MSMEs play a crucial role in regional development by establishing businesses in remote or underdeveloped areas, thereby promoting balanced economic growth across different regions. They decentralise economic activities, reducing the concentration of industries in urban centres and spreading economic opportunities to rural and semi-urban areas.

#### **4. Export Promotion**

MSMEs contribute significantly to export promotion by manufacturing a wide range of goods and services for international markets. They often specialise in niche products and cater to specific market demands, enhancing the country's export competitiveness and widening its global market reach.

#### **5. Diversification**

MSMEs contribute to economic diversification by operating in various sectors such as manufacturing, services, agribusiness, and technology. They reduce the reliance on a single sector or industry, thereby enhancing the resilience of the economy to external shocks and market fluctuations.



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## **6. Innovation**

MSMEs are hotbeds of innovation, constantly developing new products, processes, and technologies to stay competitive in the market. They drive technological advancements, improve productivity, and facilitate the adoption of innovative practices across industries, contributing to overall economic growth and development.

## **7. Reduction of Income Disparities**

MSMEs play a crucial role in reducing income disparities by providing opportunities for wealth creation and income generation among diverse sections of society.

## **8. Support for Large Industries**

MSMEs often serve as suppliers and subcontractors to large industries, providing them with essential goods, components, and services. They contribute to the value chain of large industries by offering specialised products, customised solutions, and cost-effective services.

### **MSME – Definition:**

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, the revised definition of MSMEs has been communicated vide Gazette notification no.S.O.1702 (E) dated 1st June 2020 and Gazette notification vide S.O. 2119(E) dated 26th June 2020. The revised definition of MSMEs is effective from 1st July 2020.

### **Role of Government Organizations in Entrepreneurship Development:**

#### **1. Provide access to funding:**

One of the biggest challenges facing entrepreneurs is access to capital. Many entrepreneurs have great ideas but lack the financial resources to turn them into reality. Governments can help by providing funding through grants, loans and other financial incentives. For example, the Small Business Administration (SBA) in the US offers a variety of loan programmes for small businesses, including the 7(a) loan programme, which provides up to \$5 million in funding to eligible businesses. In addition, governments can also provide tax incentives for investors who provide funding to start-ups.

#### **2. Reduce bureaucratic red tape:**

Entrepreneurs often struggle to navigate complex regulations and paperwork. Governments can reduce this burden by simplifying and streamlining the process of starting and running a business. For example, the World Bank's Ease of Doing Business Index ranks countries based on how easy it is to start and run a business. Singapore consistently ranks at the top of the list, in part due to its business-friendly policies, such as its online business registration system that allows entrepreneurs to register a company in just a few hours.



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**3. Invest in education and training:**

Entrepreneurs need a wide range of skills to succeed, from business management to product development. Governments can invest in education and training programmes to help entrepreneurs acquire the knowledge they need. For example, the National Science and Technology Entrepreneurship Development Board (NSTEDB) in India provides training and support to entrepreneurs in the areas of science and technology.

**4. Encourage innovation:**

Entrepreneurship is closely tied to innovation and governments can promote innovation by investing in research and development and by providing tax incentives for companies that invest in new technologies. For example, the Research and Development Tax Credit in the United States allows companies to claim a credit against their taxes for certain R&D expenses.

**ENTREPRENEURIAL ECOSYSTEM**



**5. Create a supportive legal framework:**

A supportive legal framework is essential for entrepreneurship to flourish. Governments can create a favourable legal environment for entrepreneurs by simplifying the business registration process, protecting intellectual property rights and enforcing contracts. For example, the US has a patent system that allows entrepreneurs to protect their ideas and inventions and the country's legal system also allows for the easy formation of LLCs and corporations.

**6. Foster a culture of entrepreneurship:**

Governments can promote entrepreneurship by creating a culture that values and supports it. This can be done through public awareness campaigns and by recognizing and celebrating the contributions of entrepreneurs. For example, Global Entrepreneurship Week is an annual event



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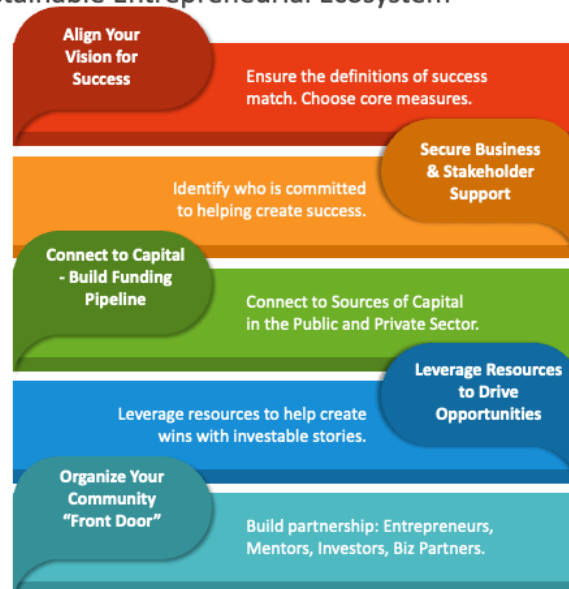
that brings together entrepreneurs, investors and experts from around the world to exchange ideas and showcase the latest innovations.

### 7. Stimulate networking and collaboration:

Entrepreneurs often need to network and collaborate with other entrepreneurs, investors and experts to succeed. Governments can foster networking and collaboration by creating opportunities for entrepreneurs to meet and exchange ideas. For example, accelerators and incubators are programmes that provide mentorship, training and resources to early-stage start-ups. They also provide a network of entrepreneurs, investors and experts that can help start-ups grow and succeed.

## ENTREPRENEURIAL ECOSYSTEM

### Steps in Building a Sustainable Entrepreneurial Ecosystem



In conclusion, governments have a crucial role to play in fostering entrepreneurship. By implementing the strategies discussed in this article, such as providing access to funding, reducing bureaucratic red tape and creating a supportive legal framework, governments can positively impact the entrepreneurial landscape and drive economic growth and job creation. Entrepreneurship is not just about starting a business; it's about creating opportunities, driving innovation and fostering economic development. Governments that support and encourage entrepreneurship not only help individual entrepreneurs but also contribute to the overall well-being of their economies and societies.

### MSME:

- The Micro, small, and medium enterprises (MSMEs) are one of the driving forces propelling the Indian economy towards global greatness. They work silently and



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continuously for up gradation of skills and understanding of the markets and provide employment for lakhs of youth in each year. MSMEs not only play a crucial role in providing ample employment opportunities but also helped in industrialization of the rural and backward areas thereby reducing regional imbalances assuring more equitable distribution of national income and wealth.

- As per the Udayam portal, MSMEs employ over two crore people, firmly establishing themselves as the bedrock of the economy. Aided partly by supportive and reformatory government initiatives and technological innovations, the MSME sector has grown exponentially, accounting for ~46% of India's total exports. Currently, with 6.3 crore MSMEs in operation, the MSME sector contributes 33.4% to India's manufacturing output.
- As India steadily approaches the threshold of becoming a \$5 trillion economy by 2026-27, interest in the nation as an investment destination is soaring. The Indian MSME sector is projected to grow to \$1 trillion by 2028. The number of MSMEs in the country is expected to grow from 6.3 crore, to ~ 7.5 crore in the coming times, growing at a projected CAGR of 2.5%.
- Its many winning advantages encompass a diverse range of investment opportunities across various industries and supply chain ecosystems, including but not limited to textiles, food processing, agriculture, and more. Another distinct advantage that MSMEs offer is the opportunity to invest in enterprises beyond metropolitan cities. Investors can capitalise on the potential of the rapidly expanding rural MSMEs catering to an accelerating consumer base, disposable incomes, and a vibrant domestic market.
- Moreover, with the relaxation of the FDI policy allowing a 100% FDI inflow under the automatic route for MSMEs and the various tax exemptions and tax holidays that the sector can avail, investments in Indian MSMEs have much to attract astute investors.
- The role of MSMEs in fostering sustainability and inclusivity in the Indian economy is irrefutable. 20.5% of the MSMEs registered on the Udyam Registration Portal are led by women, accounting for 18.73% of the total employment generated by Udyam-registered MSMEs.
- To ensure the growth of the sector and for the economy to remain inclusive, equitable, and sustainable, the Ministry of MSMEs has undertaken various initiatives to foster MSMEs that value these goals. For example, the Credit Guarantee Scheme for Micro & Small Enterprises offers a 10% concession in annual guarantee fees and up to 85% guarantee coverage for female entrepreneurs. Meanwhile, the SAMARTH initiative provides more than 7500 women from rural and sub-urban areas with skill development and market development assistance to encourage female entrepreneurship.
- Another government initiative, Raising and Accelerating MSME Performance (RAMP) was launched in July 2022, under the aegis of the Ministry of MSME. The World Bank-assisted RAMP scheme aims to improve the access of MSMEs to both the global market and credit



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and foster the sector by accelerating Centre-State collaboration in MSME promotion and development. With an outlay of INR 6000 Cr has been assigned for five years to ensure the implementation, the scheme aims to benefit over 5.5 Lakh MSMEs.

**DISTRICT INDUSTRIES CENTRE(DIC):**

In the context of Indian Micro, Small, and Medium Enterprises (MSMEs), DIC stands for District Industries Centre. DICs are government organizations established at the district level to facilitate and promote the development of MSMEs. They act as a one-stop shop for entrepreneurs, offering various services and support to help them establish and grow their businesses.

**Functions:**

- Issue of Udyam Registration for micro small and medium enterprises. Entrepreneurs may obtain the Udyam Registration Certificate through online from the web portal <https://udyamregistration.gov.in/Government-India/Ministry-MSME-registration.htm>
- Sanction and Disbursement of state government incentives as MSME Policy 2021.
- Implementation of Centrally Sponsored Scheme namely PMEGP & PMFME and State sponsored Scheme UYEGP, NEEDS, AABCS and KKT for generation of employment through establishment of micro and small enterprises in rural as well as urban areas.
- Facilitating Entrepreneurship Development Programmes.
- Providing escort service to entrepreneurs towards identification of industry and preparation of project profiles for assistance from financial institution/banks, selection and purchase of machinery etc.
- Assisting investors/entrepreneurs to obtain licenses and permits from government agencies through the following portal
- Tamil Nadu Single Window Portal 2.0 <https://tnswp.com/>
- Creating awareness about the policies and programmes on industrial development of the State / Central Governments, through seminars and dissemination meets.
- To facilitate the payment of dues to micro and small enterprises from the buyers including large Industries.
- Registration and development of Industrial co-operative societies to provide continuous and gainful employment to the rural artisans, workers and labourers.
- Implementation of Quality Control Order on electrical household appliance, etc...
- Registration and Development of cottage and handicrafts Industries.
- Export Promotion through the Export Guidance Cell in the District Industries Centre.



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- Supervision of implementation of Special Assistance Schemes announced by the State / Central Government for Micro, Small and Medium enterprises.
- Recommending awards to micro and small enterprises and Artisans given by Central and State Governments.

**Khadi and Village Industries Commission (KVIC):**

The Khadi and Village Industries Commission (KVIC) is a statutory body formed in April 1957 by the Government of India, under the Act of Parliament, 'Khadi and Village Industries Commission Act of 1956'. It is an apex organisation under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India, which seeks to — "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary".[1]

In April 1957, it took over the work of former All India Khadi and Village Industries Board.[2] It has its head office in Mumbai, and six zonal offices in Delhi, Bhopal, Bengaluru, Kolkata, Mumbai and Guwahati. Other than its zonal offices, it has offices in 28 states for the implementation of its various programmes.

**Schemes and Programs of the Commission:**

**Prime Ministers Employment Generation Program (PMEGP)**

**Launched on 14 August 2008**

The Prime Minister's Employment Generation Programme (PMEGP) the result of the merger of two schemes - Prime Minister's Rojgar Yojana (PMRY) and The Rural Employment Generation Programme (REGP).

Rural beneficiaries receive up to a 25% margin compensation in rural areas and 15% in urban areas for the general category and 35% in rural areas and 25% in urban areas for SCs, STs, OBCs, minorities and women among other special categories.

**Interest Subsidy Eligibility Certification Scheme (ISEC)**

The Interest Subsidy Eligibility Certificate (ISEC) Scheme is the major source of funding for the Khadi programme . It was introduced in May 1977 to mobilize funds from banking institutions to fill the gap in the actual fund requirement and its availability from budgetary sources.

Under this scheme, loans are provided by the banks to the members to meet their working/fixed capital requirements. These loans are provided at a concessional interest rate of 4% p.a. The difference between the actual interest rate and the concessional rate is borne by the commission under the 'grants' head of its budget. However, only members producing Khadi or Polyantha (a type of Khadi) are eligible for this scheme.



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### **Rebate Scheme**

The rebate on sales of Khadi and Khadi products is made available by the Government so as to make the price of Khadi and Khadi products competitive with other textiles. Normal rebate (10 per cent) all through the year and an additional special rebate (10 per cent) for 108 days in a year, is given to the customers.

The rebate is allowed only on the sales made by the institutions/centers run by the Commission/State Boards and also at the sales centers run by the registered institutions which are engaged in the production of Khadi and polyvastra.

Recently, the finance ministry has asked the micro, small and medium enterprises ministry to redraw its rebate scheme for Khadi and village industries. Its view is that the "ministry should approach the plan commission and not seek year-to-year extension of the scheme. Furthermore, it has asked the MSME ministry to redesign the scheme in a manner that it should benefit the artisan and not the seller, which (has been) the case so far" With regard to this, A proposal received from the commission for introducing Market Development Assistance as a possible alternative to Rebate on Sale is being considered by the Government.

### **Schemes of NSIC:**

NSIC facilitates Micro, Small and Medium Enterprises with a set of specially tailored scheme to enhance their competitiveness. NSIC provides integrated support services under Marketing, Technology, Finance and other Support service.

### **Marketing Support**

Marketing has been identified as one of the most important tool for business development. It is critical for the growth and survival of MSMEs in today's intensely competitive market. NSIC acts as a facilitator and has devised a number of schemes to support enterprises in their marketing efforts, both domestic and foreign markets. These schemes are briefly described as under.

### **Consortia and Tender Marketing**

Small Enterprises in their individual capacity face problems to procure & execute large orders, which deny them a level playing field vis-a-vis large enterprises. NSIC forms consortia of Micro and Small units manufacturing the same product, thereby pooling in their capacity.

NSIC applies the tenders on behalf of single MSE/Consortia of MSEs for securing orders for them. These orders are then distributed amongst MSEs in tune with their production capacity.

### **Single point Registration for Government Purchase**

NSIC enlists Micro & Small Enterprises (MSEs) under Single Point Registration scheme (SPRS) for participation in Government Purchases. The units enlisted under Single Point Registration Scheme of NSIC are eligible to get the benefits under Public Procurement Policy for Micro & Small Enterprises (MSEs) Order 2012 as notified by the Government of India, Ministry of Micro Small &



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Medium Enterprises, New Delhi vide Gazette Notification dated 23.03.2012 and amendment vide order no. S.O. 5670(E) dated 9th November 2018. The enlistment under SPRS is completely online. Login: [www.nsicspronline.com](http://www.nsicspronline.com)

- Issue of the Tender Sets free of cost.
- Exemption from payment of Earnest Money Deposit (EMD),
- In tender participating MSEs quoting price within price band of L1+15 per cent shall also be allowed to supply a portion upto 25% of requirement by bringing down their price to L1 Price , where L1 is non MSEs.
- Consortia facility for Tender Marketing.

**NABARD:**

NABARD stands for the National Bank for Agriculture and Rural Development. It's a development bank in India focused on promoting sustainable and equitable agriculture and rural development through financial and technical support. Established in 1982, it plays a crucial role in providing credit and other facilities for various rural economic activities.

**History:**

The importance of institutional credit in boosting rural economy has been clear to the Government of India right from its early stages of planning. Therefore, the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into these very critical aspects.[8] The Committee was formed on 30 March 1979, under the Chairmanship of Shri B. Sivaraman, former member of the Planning Commission, Government of India.

**NABARD – Role:**

**1. Refinancing**

NABARD serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with the Government of India, state governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation. It also refinances fund from World Bank and Asian Development Bank to state co-operative agriculture and rural development banks (SCARDBs), state co-operative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) and other financial institutions approved by RBI. While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, State-owned corporations or co-operative societies, production credit is generally given to individuals.



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## **2. Banking Supervision**

NABARD supervises State Cooperative Banks (StCBs), District Cooperative Central Banks (DCCBs), and Regional Rural Banks (RRBs) and conducts statutory inspections of these banks.[22] It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc. It also undertakes monitoring and evaluation of projects refinanced by it.

## **3. Development**

NABARD is also known for its 'SHG Bank Linkage Programme' which encourages India's banks to lend to self-help groups (SHGs). Largely because SHGs are composed mainly of poor women, this has evolved into an important Indian tool for microfinance. By March 2006, 22 lakh SHGs representing 3.3 crore members had to be linked to credit through this programme.

NABARD also has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development and Farm Innovation through dedicated funds set up for the purpose.

### **Institutions of SICVI:**

"Institutions SIVI" likely refers to the Cluster SIVI (Cluster Innovative Solutions for an Independent Life), a Spanish organization focused on social innovation and technological development in health and social services. It brings together various organizations like tech companies, universities, and service providers. The term could also refer to Sivi AI, an AI design company, or Sivi Training, a training institute, depending on the context.

#### **1. Cluster SIVI (Cluster Innovative Solutions for an Independent Life):**

- This is a Spanish cluster focused on social innovation, particularly in the areas of health and social services.
- It aims to foster technological business development and bring together various stakeholders.
- These stakeholders include:
  - Tech companies
  - University research groups
  - Technology centers
  - Third sector organizations (e.g., nursing homes, hospitals)
  - Public and private organizations
- The cluster is based in Castilla y León, Spain.



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- It has a project called HUB Innovation Zamora, which is a social innovation center for technological business development in Zamora, according to ClusterSivi.org.

**2. Sivi AI (AI Design Company):**

- According to IndiaAI, Sivi is an AI company specializing in generative AI for design.
- Their mission is to democratize design and make it accessible to a large number of businesses.
- Sivi's CEO, Ram Ganesan, has extensive experience in building software products and running a business.
- They use Google Cloud to train their Large Design Models (LDMs) and integrate Gemini for a conversational experience.
- They were recognized by Forbes India DGEMS as one of the 200 select companies with global business potential.

**3. Sivi Training (Training Institute):**

Sivi also appears as a training institute on LinkedIn India.

This suggests there may be a separate entity focused on training and development under the Sivi name.

**INTRODUCTION OF SFC:**

State Financial Corporations (SFCs) are state-level financial institutions in India, established to promote and develop small and medium-sized enterprises (SMEs) within their respective states. They primarily provide medium and long-term financial assistance to these enterprises. SFCs play a vital role in fostering industrial growth, generating employment, and ensuring balanced regional development.

**Functions of SFC:**

- Financial Assistance: SFCs offer various financial products like loans, guarantees, and venture capital to SMEs.
- Promoting Industrial Growth: They encourage the establishment and expansion of industries, particularly in the SME sector.
- Generating Employment: By supporting SMEs, SFCs contribute to job creation within the state.
- Balanced Regional Development: They aim to distribute industrial growth across different regions of the state.



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- Mobilizing Resources: SFCs raise funds through share capital, public deposits, bonds, and loans.

**Objectives of SFCs:**

- SFCs provide medium and long-term loans and other financial assistance to SMEs for activities like setting up new units, expansion, modernization, and technology upgrades.
- By focusing on specific regions, SFCs help distribute industrial activity more evenly across the state, reducing regional disparities.
- SFCs indirectly contribute to job creation by supporting businesses that employ people in various sectors.
- SFCs mobilize funds and channel them into productive industrial ventures, boosting overall investment within the state.
- By providing financial support, SFCs can help a wider range of individuals and groups participate in industrial ownership and entrepreneurship.
- SFCs play a role in industrial finance by complementing the work of the Industrial Finance Corporation of India (IFCI), particularly in supporting smaller and medium-sized businesses.
- SFCs can also act as agents for state and central governments in implementing various schemes related to small and medium industries.

**SDC:**

In Tamil Nadu, the Tamil Nadu Small Industries Development Corporation (SIDCO) (TANSIDCO) plays a crucial role in the development of industrial estates for Micro, Small, and Medium Enterprises (MSMEs). SIDCO establishes and maintains these estates, providing essential infrastructure and facilities for entrepreneurs. These estates include various types of sheds and plots, with sizes tailored to different needs, from tiny sheds for micro-enterprises to larger developed plots.

**Development and Maintenance of Industrial Estates:**

- SIDCO develops and maintains both its own and private industrial estates.
- They focus on providing infrastructure like roads, water supply, drainage, power, and other amenities within the estates.
- SIDCO also assists in the upgradation of existing industrial estates' infrastructure.

**Infrastructure and Facilities:**

- SIDCO provides a range of infrastructure facilities within the estates, including:



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- Roads and drainage systems.
- Water supply and sewage systems.
- Power supply and street lighting.
- Green belts and parks.
- Other amenities like common facilities centers (CFCs) and common production infrastructure centers (CPICs).

**Support for MSMEs:**

- SIDCO's primary goal is to support the growth of MSMEs in Tamil Nadu.
- They offer various facilities within the estates, including:
  - Tiny sheds (200-600 sq ft).
  - Work sheds (1080-4000 sq ft).
  - Developed plots (0.15-1.00 acre and above).
  - Tiny plots (5-15 cents).
- They also provide support for raw material procurement and marketing.

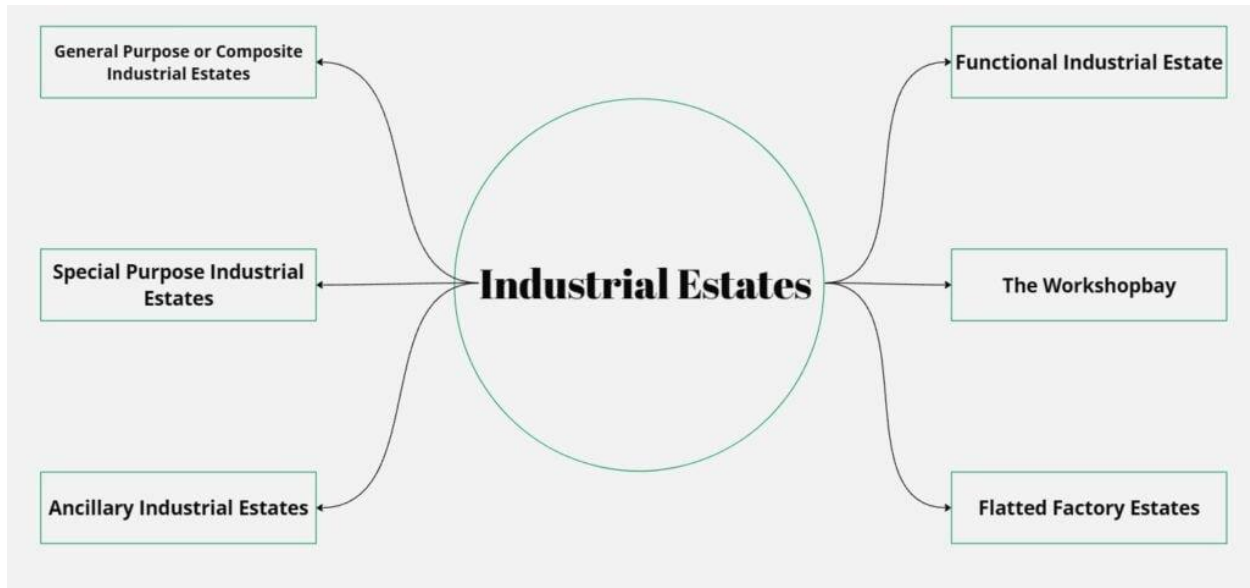
**Government Assistance:**

- The Tamil Nadu government provides grants and assistance to MSMEs for setting up units within the estates.
- This assistance can cover a significant portion of the project cost, especially for relocating units outside urban areas.
- SIDCO also acts as the nodal agency for the Micro and Small Enterprises – Cluster Development Programme (MSE-CDP).
- SIDCO promotes the establishment of CFCs and CPICs to provide shared facilities and resources to MSMEs in clusters.

In essence, SIDCO's industrial estates are designed to provide a conducive environment for MSMEs to grow and thrive, contributing to the overall industrial development of Tamil Nadu.



### Types of Industrial Estates:



- **General Purpose or Composite Industrial Estates:** This industrial estate provides accommodation to all types of small-scale industries. There are many different types of industrial units in India, with most of them falling under this category.
- **Special Purpose Industrial Estates:** These industrial parks are designed specifically for certain groups of entrepreneurs, such as skilled professionals, craftsmen, or artisans. For instance, there are industrial parks in Hyderabad that cater to artisans and technical personnel.
- **Ancillary Industrial Estates:** This type of industrial estate houses manufacturing units, which produce parts and components for a large industrial unit. In other words, in such industrial estates, only those small-scale units are housed which are ancillary to a particular large industry. Industrial estates are usually located close to the main unit. For example, one can find them near the HMT in Bangalore.
- **Functional Industrial Estate:** Industrial estates with a specific focus, like the Functional Industrial Estate, are designed for companies producing similar goods. These estates cater to industries such as leather goods, electronics, sports equipment, food preservation, ceramics, and more.
- **The Workshopbay:** industrial estates built specifically for small businesses that specialize in repair work.
- **Flatted Factory Estates:** These are multi-story buildings constructed in big cities, to provide space for industrial units. Making lightweight products using basic machine tools is a great way to save space.



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The Entrepreneurship Development Institute of India (EDII) is a national resource institute focused on entrepreneurship education, research, training, and institution building. It was established in 1983 with support from leading financial institutions like IDBI, ICICI, IFCI, and SBI, along with the Government of Gujarat. EDII aims to foster entrepreneurship as a development tool through various interventions across India.

- EDII is recognized as a leading institution for entrepreneurship development in India.
- It offers programs in entrepreneurship education, research, training, capacity building, institution building, MSME growth, innovation, and incubation.
- EDII has been instrumental in setting up entrepreneurship development centers in various states and union territories, including Goa, Uttarakhand, and Chhattisgarh.
- EDII collaborates internationally, sharing resources and organizing training programs for developing countries.
- EDII is recognized as a Centre of Excellence by the Ministry of Skill Development and Entrepreneurship, Government of India.
- It was established with support from IDBI Bank Ltd., ICICI Ltd., IFCI Ltd., State Bank of India, and the Government of Gujarat.

**EDII's Role:**

While EDII doesn't directly manage industrial estates, it plays a crucial role in supporting their development and the growth of Micro, Small, and Medium Enterprises (MSMEs) within them. Here's how:

- EDII's training programs and initiatives equip individuals with the skills and knowledge to start and manage businesses, which can contribute to the success of industrial estates.
- EDII's focus on MSME growth and development helps ensure that businesses within industrial estates thrive.
- EDII's work in setting up entrepreneurship development centers can indirectly benefit industrial estates by fostering a supportive ecosystem for businesses.
- EDII's research activities can inform policies and strategies related to industrial development and the growth of MSMEs.
- EDII facilitates networking and collaboration among various stakeholders, including government agencies, financial institutions, and businesses, which can be beneficial for the development of industrial estates.

In essence, EDII's work indirectly supports the development and success of industrial estates by fostering entrepreneurship and promoting the growth of MSMEs.



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**EPCCB Industrial Estates:**

**Meaning:**

EPCCB, or the Export Promotion Council for Creative Businesses, is not a widely recognized institution. It's possible there's a typo, and you might be referring to Export Promotion Councils (EPCs) or Eco-Industrial Parks (EIPs). EPCs are organizations that promote exports of specific product categories, while EIPs are industrial areas designed for resource efficiency and sustainability.

EPCCB likely refers to Engineering, Procurement, and Construction (EPC) contracts for industrial estates, which are designated areas for industrial development. These contracts encompass the entire process from design and engineering to procurement of materials and construction of the industrial estate. The term "EPCCB" likely incorporates "Construction" within the EPC framework.

These are planned areas where multiple industries are located, often with shared infrastructure and resources. They are also referred to as industrial parks or industrial estates.

In the context of industrial estates, EPC contracts involve a single contractor taking responsibility for the entire project lifecycle, from initial design to the final construction and handover.

While "EPC" is the standard term, "EPCCB" likely extends this to include the "Construction" aspect, emphasizing the comprehensive nature of the contract. It could also refer to a specific type of EPC contract used for building industrial estates.

**Category of EPCCB:**

**1. Export Promotion Councils (EPCs):**

- EPCs are established to promote exports of specific goods or services. They act as intermediaries between exporters and the government, providing support and guidance.
- They register exporters, offer market information, organize trade events, and represent their members' interests in policy formulation.
- The Export Promotion Council for Handicrafts (EPCH) promotes the export of handicrafts.
- EPCs are generally under the administrative control of the Department of Commerce.
- They are often registered as non-profit organizations under the Companies Act or Societies Registration Act.

**2. Eco-Industrial Parks (EIPs):**

- EIPs are industrial areas designed to be resource-efficient and environmentally sustainable.
- They aim to create a collaborative environment where businesses can share resources, minimize waste, and reduce their environmental impact.



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- EIPs can lead to cost savings, increased competitiveness, and improved environmental performance for participating businesses.
- EIPs are being developed in various countries as part of initiatives to promote sustainable industrial development, according to the United Nations Industrial Development Organization (UNIDO).

### **3. Industrial Estates:**

- Industrial estates, also known as industrial parks, are areas specifically designated and developed for industrial activities.
- They provide infrastructure, utilities, and a supportive environment for businesses to establish and operate.
- Industrial estates can vary in size and specialization, ranging from light industrial to heavy industrial areas.

### **Government Schemes:**

#### **1 . Prime Minister's Employment Generation Programme (PMEGP)**

Encourage new entrepreneurs to set up micro-enterprises through credit-linked subsidy support.

- Bank financed subsidy program for setting up new micro-enterprises in non-farm sector.
- Margin Money subsidy on Bank Loan ranges from 15% to 35% for projects up to Rs. 25 lakhs in manufacturing and Rs. 10 lakhs in service sector
- For beneficiaries belonging to special categories such as SC/ST/Women/PH/Minorities/Ex-Servicemen/NER, the margin money subsidy is 35% in rural areas and 25% in urban areas. The maximum cost of projects is Rs.25.00 lakh in the manufacturing sector and Rs.10.00 lakh in the service sector.
- Any individual above 18 years of age, SHGs, Charitable trusts, Registered Societies etc.
- The own contribution of the beneficiary is 10% of the project cost in case of general category and 5% of the project cost in case of reserved category (SC/ST/OBC/PH/Women/Ex Servicemen/ NER) beneficiaries.
- If the application for loan is approved, Banks sanction and release the balance amount of 90 to 95 percent of the total project cost suitably for setting up of the units by the beneficiaries.
- In order to have sustainability of the projects/units set up under the scheme, support services are also provided in the form of Backward & Forward Linkages by organizing events like awareness camps, workshops, EDP training to the beneficiaries, exhibitions, etc.



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- Government of India has introduced online process flow of application and disbursement of Margin Money directly to financing branches.
- Corporation Bank was engaged as a single National Level Agency for operating the online fund flow system of PMEGP.
- One-page online application form is mandatory for individuals and institutional beneficiaries on the e-portal. The application form/PMEGP MIS portal is mobile friendly. SMS/e-mail alerts sent to the applicant automatically by the system or by the concerned officials at the process of each stage.
- Model Projects of different KVI activities have been put up on PMEGP e-portal for the benefit of potential beneficiaries.
- Model Village Industries projects prepared by NSIC have also been linked to the website.
- To increase the registration of MSMEs in the country, the Government has undertaken measures that the PMEGP units can adopt the Udyog Aadhar Memorandum (UAM) to register online.

**Loan for up-gradation of the existing PMEGP/MUDRA units:**

Technology up-gradation and expansion of existing units through credit support

- To fulfill the need of additional financial assistance for upgradation and expansion of successful/well performing existing units
- Maximum subsidy would be 15% of the project cost (20% for NER and Hill States). The balance amount of the total project cost is provided by Banks as term loan.
- Further financial assistance scheme for expansion/upgrade the existing PMEGP/MUDRA units for manufacturing and Service/Trading units from the year 2018-19
- The maximum cost of the project under manufacturing sector for up-gradation is Rs.1.00 crore and Rs.25.00 lakh under Service/Trading sector.
- Maximum subsidy would be 15% of the project cost (20% for NER and Hill States) i.e. Rs. 15.00 lakh in Non-NER and Rs. 20.00 Lakh for NER and Hill States. The balance amount of the total project cost are provided by Banks as term loan.
- All existing units financed under PMEGP/MUDRA schemes running successfully whose Margin Money claim has been adjusted and the First loan (only CE) availed should have been repaid in stipulated time and WC may be exempted.
- The units should have been making profit for the last three years.
- Beneficiary may apply to the same financing bank, which sanctioned the loan for their unit, or to any other financing bank, which is willing to extend credit facility for second loan.



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- The beneficiary can choose any implementing agency and that may be different from the agency chosen for 1st loan.
- Registration of Udyog Aadhar Memorandum (UAM) is mandatory.
- The 2nd loan should lead to additional employment generation.
- On PMEGP e-Portal, a separate application link provided to submit the application under 2nd loan for up-gradation.

**Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE):**

- Credit guarantee for loans upto Rs. 2 crore, without collateral and third-party guarantee.
- Guarantee coverage ranges from 85% (Micro Enterprise up to Rs 5 lakh) to 75% (others).
- 50% coverage is for retail activity.
- Existing Entrepreneurs & Aspiring Entrepreneurs
- Any collateral/third party guarantee free credit facility (both fund as well as non-fund based) extended by eligible institutions, to new as well as existing Micro and Small Enterprises, including Service Enterprises, with a maximum credit cap of 200 lakh (Rupees Two Hundred lakh only) are eligible to be covered. Recently, guarantee coverage made eligible to select NBFCs and Small Finance banks.
- The guarantee cover available under the scheme is to the extent of 50%/ 75% / 80% & 85% of the sanctioned amount of the credit facility. The extent of guarantee cover is 85% for micro enterprises for credit up to 5 lakhs. The extent of guarantee cover is 50% of the sanctioned amount of the credit facility for credit from 10 lakh to 100 lakhs per MSE borrower for retail trade activity.
- The extent of guarantee cover is 80% for (i) Micro and Small Enterprises operated and/or owned by women; and (ii) all credits/loans in the North East Region (NER) for credit facilities upto 50 lakh. In case of default, Trust settles the claim up to 75% of the amount in default of the credit facility extended by the lending institution for credit facilities upto 200 lakh.

**Interest Subvention Scheme for MSMEs-2018:**

- 2% interest subvention for incremental credit to MSMEs.
- Existing Entrepreneurs & Aspiring Entrepreneurs
- Interest Subvention Scheme for Incremental credit to MSMEs 2018 offers 2 % interest subvention on fresh or incremental loans maximum up to Rs. 1 crore to MSMEs. Small Industries Development Bank of India (SIDBI) is the Nodal Agency for implementation of the Scheme.



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- The Scheme aims at encouraging both manufacturing and service enterprises (including trading activities) to increase their productivity. Incremental/fresh term loan or incremental/fresh working capital extended from 2nd November 2018 by any Scheduled Commercial Banks, NBFCs, RRBs, UCBs (Scheduled & Non-scheduled) and DCCBs would be covered under the scheme.
- MSMEs already availing interest subvention under any of the Schemes of the State / Central Govt. are not eligible under the Scheme.

**Credit Linked Capital Subsidy Component (CLCS & TU Scheme):**

- Induction of established and improved technologies.
- 15% Subsidy on institutional credit upto Rs 1.00 crore with a subsidy cap of Rs.15.00 lakh.
- Existing Entrepreneurs & Aspiring Entrepreneurs
- The objective of CLCS component of CLC-TUS is to facilitate technology to MSEs through institutional finance for induction well established and proven technologies in the specific sub-sector/products approved under the scheme:
- (a) Upfront subsidy of 15% on institutional credit up to Rs. 1.0 crore (i.e. a subsidy cap of Rs. 15.00 lakh) for identified sectors/subsectors/ technologies.
- (b) Flexibility for review of the identified technologies/ subsectors also exists.
- (c) Presently scheme is being implemented through 11 nodal banks/agencies, however, almost all Commercial Banks, Pvt. Banks & RRBs are acting as PLI through these 11 nodal banks/agencies {SIDBI, NABARD, SBI, Andhra Bank, PNB, BoB, Canara Bank, Corporation Bank, Indian Bank, Bank of India, & TIICL}.
- (d) In order to ensure fair inclusion of SC/ST category, women entrepreneurs and entrepreneurs from NER, Hill States (Jammu & Kashmir, Himachal Pradesh & Uttarakhand) Island Territories (Andaman & Nicobar and Lakshadweep) and the identifies Aspirational Districts/LWE Districts, the subsidy has also been proposed to be admissible also for investment in acquisition/replacement of plant & machinery/equipment & technology up-gradation of any kind.

**MSME Technology Centres (TCs) (Existing TCs + New TCs + Extension Centers spread all over country):**

- Design & Manufacture of Dies, Moulds using Latest Technology
- Help in prototyping new product
- Skill Development: Tool Design, Machinist, CNC Machines, PLC, Mechatronics, CAD/CAM, Footwear, Fragrance, Glass Mfg, Automation.



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- Consultancy: Tool Design, new product development.
- Training programs offered by TCs range from 2 weeks to 4 years. 76 programs are NSQF Compliant.
- Long term trainees are well placed in industry.
- Customized training programs may also be launched.
- TC Kannauj may provide consultancy for sanitizer mfg.
- TC Meerut can do PPE Coverall testing.

**Procurement and Marketing Support (PMS) scheme:**

- Participation of Individual MSEs in domestic Trade Fair/ Exhibition
- Capacity building of MSMEs in Modern Packaging Technique / Development of Marketing Haats.
- Organizing Domestic Trade Fair& Exhibition/ Vendor Development Programs/ National & International Workshops & Seminars/ Awareness programs
- Participation of individual MSEs in domestic trade fairs/ exhibitions across the country: Maximum Budgetary support (space rent and contingency) upto Rs.1.5 Lakhs max.for Metro & A class cities. Rs 1.0 lakhs max. for Class B cities / NER/J&K/ Hilly States and for other cities Rs.0.80 lakhs max.
- Organizing Domestic Trade Fairs/ Exhibition and participation in trade fairs/exhibitions by the Ministry/Office of DC (MSME)/Government organizations:
- Maximum Budgetary support for space rent and advt. & publicity for the event is as follows,
  - a. Regional :(State/District): Rs.30.00 Lakh max.
  - b. National: Rs.40.00 Lakh max.
  - c. International: As decided by Empowered Committee subject to approval of Dept. Of Expenditure.
- Capacity building of MSMEs in modern packaging technique: Maximum Budgetary support of Rs.1.0 lakh max. for ordinary packaging consultancy and Rs.1.5 lakh max. for green packaging consultancy for MSME unit.
- Development of Marketing Haats. Maximum Budgetary support: For Development of new MSME Haats, upper limit of GIA will not exceed Rs. 50 lakh max.
- For Renovation/up-gradation of existing Marketing Haats, upper limit of GIA will not exceed Rs.20 lakhs max.



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- Vendor Development Programmes: Maximum Budgetary support is as follows; State Level Vendor Development Programme (SLVDP): Rs. 1 Lakh max. (One day) National Level Vendor Development Programme (NLVDP): Rs. 10 lakhs max. for A class city and Rs.7.0 lakh max. for other cities. (2-3 days)
- International/National Workshops/Seminars.: Maximum Budgetary Support would be Rs 5.0 lakh maximum or actual whichever is less and for National Workshop/Seminar and Rs 7.5 Lakh maximum or actual whichever is less for International Workshop/Seminar
- Awareness Programs: Maximum Budgetary support of Rs. 70,000/- max. per program (One day)

**ESDP Scheme:**

- Motivation
- Entrepreneurship & Skill Training
- Management Training

**Scheme applicable for**

- Aspiring Entrepreneurs
- Aspiring and Existing Entrepreneurs
- Existing Entrepreneurs

**Detailed Information**

- Entrepreneurship /Self-employment Motivation to different sections of the society including SC/ST/Women, differently abled, Ex-servicemen and BPL persons as career options.
- Enterprise Facilitation for Ideation, Mentoring and incubation, Credit facilitation, Market accessibility, Enterprise Clinic, Diagnostic studies in the event of sickness, counseling and other facilities.
- Entrepreneurship & Skill Training in Agro Based Products, Hosiery, Food & Fruit Processing Industries, Carpet Weaving, Mechanical Engineering Workshop/ Machine Shop, Heat Treatment, Electroplating, Basic/Advance Welding/Fabrication/Sheet metal work, Basic/Advance Carpentry, Glass & Ceramics etc.
- Management capacity building Training to Existing Entrepreneurs and their supervisory staff in Industrial Management, Human Resource Management, Marketing Management, Export Management/Documentation & Procedures, Materials Management, Financial/Working Capital Management, Information Technology, Digital Marketing,



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Quality Management/QMS/ISO 9000/EMS, WTO, IPR, Supply Chain Management, Retail Management, Logistics Management etc.

**Entrepreneurial and Managerial Development of SMEs through Incubators**

Objective

New Enterprise Creation

**Key Benefits**

- Funding support up to Rs. 15 lakhs for development of innovative ideas in to commercial products
- Seed funding support up to Rs. 100 lakhs for setting up new units for commercialization of successful innovative ideas

**Scheme applicable for**

- Existing Entrepreneurs/Aspiring Entrepreneurs

**Detailed Information**

- The main objective of the scheme is to promote & support untapped creativity of individual and to promote adoption of latest technologies in manufacturing as well as Knowledge based innovative MSMEs (ventures) that seek the validation of their ideas at the proof of concept level. The scheme also supports engagement with Enablers who will advise such MSMEs in expanding the business by supporting them in design, strategy and execution. The Enablers will play a pivotal role and would be integral part of the business development.

**Awareness on Intellectual Property Rights (IPR):**

**Benefits:**

- Reimbursement of Patent/Trademark/GI:
- Patent:
  - A. Indian Patent upto Rs.1.00 Lakh
  - B. Foreign Patent upto Rs. 5.00 Lakh
- Trademark upto Rs. 0.10 Lakh
- GI Registration Rs. 2.00 Lakh
- Assistance for setting up IP Facilitation Centre upto Rs. 1.00 cr. for period of 5 year.



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### Detailed Information

- To enhance the awareness of Intellectual Property Rights (IPRs) amongst the MSMEs to encourage creative intellectual endeavor in Indian economy;
- To take suitable measures for the protection of ideas, technological innovation and knowledge-driven business strategies developed by the MSMEs for;
- To provide appropriate facilities and support for protection and commercialization of Intellectual Property (IP) for the benefit of MSME sector;
- To assist SMEs in effective Utilization of IPR Tools for technology up-gradation, market and business promotion and competitiveness. enhancement.

### Prime Minister Employment Generation Programm

#### Introduction:

Launched in August 2008, Prime Minister's Employment Generation Programme (PMEGP) is a credit-linked subsidy scheme, administered by the Ministry of Micro, Small and Medium Enterprises (MSME). PMEGP aims to generate employment opportunities through the establishment of micro-enterprises in the non-farm sector for rural as well as urban areas. The scheme has been approved for continuation over the 15th Finance Commission cycle i.e., for the period of five years from 2021-22 to 2025-26. PMEGP was formed by merging the two schemes that were in operation till 31st March 2008, namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP). An outlay of ₹13,554.42 Crore has been approved for PMEGP for five Financial Years (2021-22 to 2025-26) to set up about 4,00,000 projects with the creation of 30,00,000 employment @8 persons per unit). In addition, 1,000 Units will be upgraded in each FY.

#### Objectives:

1. To generate employment opportunities in rural as well as urban areas of the country through the setting up of new self-employment ventures/projects/micro enterprises.
2. To bring together widely dispersed traditional artisans! rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
3. To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.
4. To increase the wage-earning capacity of workers and artisans and contribute to an increase in the growth rate of rural and urban employment.



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**Aspects of the PMEGP scheme:**

**1. Eligibility:**

- Individuals above 18 years of age can apply.
- No income ceiling for assistance.
- VIII standard pass for projects above ₹10 lakh in manufacturing and ₹5 lakh in the service sector.
- Self-Help Groups, Societies, Production Co-operative Societies, and Charitable Trusts are also eligible.

**2. Financial Assistance:**

- ₹50 lakh for manufacturing and ₹20 lakh for service sector projects.
- Subsidy: Subsidy ranges from 15% to 35% of the project cost, depending on the beneficiary category and location (rural/urban).
- SC/ST/OBC/Minorities/Women/Ex-Servicemen/Physically Handicapped/NER beneficiaries receive higher subsidy rates (35% in rural areas and 25% in urban areas).
- Bank Loan: The remaining portion of the project cost is financed through a bank loan.

**3. Key Features:**

- Credit-linked subsidy: The subsidy is directly linked to the bank loan.
- Focus on new enterprises: The scheme supports the establishment of new micro-enterprises.
- National level implementation: KVIC is the implementing agency at the national level.
- Online application: Individuals and institutions can apply online through the PMEGP MIS portal.

**4. Activities Excluded (Negative List):**

- Industries involved in meat production/processing/sale, intoxicants, cultivation, sericulture, horticulture, floriculture.
- Manufacture of polythene carry bags of less than 20 microns.
- Processing of Pashmina Wool.

**5. Other important points:**

- No collateral security is required for loans up to ₹10 lakh, according to Union Bank of India.



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- The repayment schedule for the bank loan can range from 3 to 7 years after an initial moratorium.
- PMEGP has played a significant role in promoting self-employment and entrepreneurship in India, with over 10 lakh micro-enterprises established under the scheme so far.

### **Women Entrepreneurship in India:**

India offers numerous government schemes for women entrepreneurs, encouraging their active participation in the business ecosystem. These initiatives provide financial support, training, and resources, enabling women to overcome barriers and build successful ventures. From funding options to skill development, these women schemes are designed to uplift aspiring and established female entrepreneurs. Additionally, several MSME schemes for women entrepreneurs aim to enhance access to credit and foster innovation in small businesses, contributing to economic growth and self-reliance. These programs reflect the government's commitment to empowering women in the entrepreneurial landscape.

### **List of Government Schemes for Women/Female Entrepreneurs In India:**

In recent years, the Indian government has introduced several government schemes for women to support and uplift female entrepreneurs. These initiatives focus on providing financial assistance, training, and opportunities to help women build and sustain their businesses. Here's a detailed look at some of the top schemes aimed at fostering women empowerment through entrepreneurship:

#### **1. Udyogini Scheme**

The Udyogini Scheme focuses on empowering women by offering financial assistance to start or expand their businesses. This scheme supports a wide range of industries, particularly in rural areas, and provides loans at concessional rates. Women from economically weaker sections can benefit significantly from this initiative.

#### **2. Stand Up India Scheme**

The Stand Up India Scheme aims to support women and SC/ST entrepreneurs by offering loans between ₹10 lakh and ₹1 crore. This initiative helps women establish enterprises in manufacturing, trading, or service sectors. Its goal is to enhance financial independence and encourage entrepreneurship among underrepresented groups.

#### **3. Annapurna Scheme**

The Annapurna Scheme is designed for women entrepreneurs who want to start food-based businesses. Under this scheme, women can access loans of up to Rs. 50,000 to purchase equipment and raw materials. The scheme promotes women-led businesses in the food industry, contributing to both economic growth and self-reliance.



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#### **4. Mudra Yojana Scheme**

The Mudra Yojana Scheme is one of the most popular government schemes for women empowerment, offering collateral-free loans to small businesses. Women entrepreneurs can avail loans under three categories—Shishu, Kishor, and Tarun—depending on the stage and scale of their business. The initiative provides financial stability and boosts the growth of MSMEs.

#### **5. Mahila Udyam Nidhi Scheme**

The Mahila Udyam Nidhi Scheme, offered by Small Industries Development Bank of India (SIDBI), supports women entrepreneurs in setting up new ventures or expanding existing businesses. The scheme provides financial assistance of up to ₹10 lakh with flexible repayment options. It encourages innovation and business growth among women in the MSME sector.

#### **6. Pradhan Mantri Rozgar Yojana (PMRY)**

The Pradhan Mantri Rozgar Yojana offers financial assistance to unemployed women who wish to start their own businesses. It provides loans of up to Rs. 2 lakh for businesses in manufacturing, trade, and services. The initiative is a significant step toward reducing unemployment and fostering entrepreneurship among women.

#### **7. Mahila Coir Yojana**

The Mahila Coir Yojana focuses on empowering rural women through coir-based industries. Under this scheme, women can receive financial assistance for purchasing equipment and training to produce coir products. It encourages self-employment in rural areas, contributing to the overall economic development of women.

#### **8. TREAD Scheme (Trade Related Entrepreneurship Assistance and Development)**

The TREAD Scheme is designed to support women entrepreneurs from economically weaker sections. The scheme provides financial assistance, skill development, and counseling to help women establish successful businesses. By fostering entrepreneurial skills, it ensures the sustainable growth of women-led enterprises.