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Employability Skills

Book - 3



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A Word With You

Dear Learner,

Welcome to the course on Employability Skills!

You have just taken your first step towards realizing your goals. Often the most difficult part is to make a beginning. However, once you begin, you would want to keep improving and become the best that you can be. On this journey of personal growth, you will discover that there is much knowledge and wisdom to be gained – insights about yourself, about others, about life and about things around you. Let us begin this journey of learning with joy.

The new course has been designed to equip you with values, attitude and behavior for sustainable employability. Nineteen lessons in four modules will take you through the path of building aspirations, practicing communication skills, negotiating the world of web and leaning the intricacies of entrepreneurship. All the lessons are related to life experiences. The lessons will equip you with the skills of responding to challenging situations in logical, sensitive and positive ways without harming self and society and optimizing opportunities.

These life skills enriched materials aim at empowering you to enhance not only your academic but also personal and social competencies. Along with subject knowledge, you would have the ability to discriminate between right and wrong and take the correct decision regarding your life and career.

During the course of study, you will find a number of activities, including intext questions, in the lessons. Do make a sincere effort to attempt them. While activities have been carefully designed to provide you an opportunity to learn and practice, the intext questions and Tutor Marked Assignments (TMA) help you assess the extent of your learning. Attempting these will aid in developing life skills without any extra effort.

You would also have to make a portfolio that will be evaluated in practical examinations. The activities of portfolio are built from first lesson onwards. To know what is expected of you, read the curriculum and sample question paper given at the end of your study materials.

I hope you will find these life skills enriched study materials rewarding and helpful in your personal and professional life.

Chairman, NIOS

How to use the Study Material

Congratulation! You have accepted the challenge to be a self-learner. NIOS is with you at every step and has developed the material “Employability Skills” with the help of a team of experts, keeping you in mind. A format supporting independent learning has been followed. If you follow the instructions given, then you will be able to get the best out of this material. The relevant icons used in the material will guide you. These icons have been explained below for your convenience.

Title: will give a clear indication of the contents within. Do read it.

Introduction: This will introduce you to the lesson linking it to the previous one.



Objectives: These are statements that explain what you are expected to learn from the lesson. The objectives will also help you to check what you have learnt after you have gone through the lesson. Do read them.



Notes: Each page carries empty space in the side margins, for you to write important points or make notes.



Intext Questions: Very short answer self check questions are asked after every section, the answers to which are given at the end of the lesson. These will help you to check your progress. Do solve them. Successful completion will allow you to decide whether to proceed further or go back and learn again.



What You Have Learnt: This is the summary of the main points of the lesson. It will help in recapitulation and revision. You are welcome to add your own points to it also.



Terminal Exercise: These are long and short questions that provide an opportunity to practice for a clear understanding of the whole topic.



Do You Know: This box provides additional information. The text in boxes is important and must be given attention. It is not meant for evaluation, but only to improve your general knowledge.



Answers : These will help you to know how correctly you have answered the questions.

Activities: *Certain activities have been suggested for better understanding of the concept.*

www

Web site: These websites provide extended learning. Necessary information has been included in the content and you may refer to these for more information.

Course Overview



Module I: The Employee Everyone would like to Employ

1. Let us find ourselves!
2. Connecting the Dots
3. The Leader in Me

Module II: Expression and Communication

4. From Confusion to Clarity
5. Developing the Self
6. Be Well Do Well
7. Leading, Not Bossing
8. Effective Communication: A Life Long Asset



Module III: Going Digital

9. Working Smart: Introduction to Computers
10. Spreadsheets
11. Presentations
12. You in the World of Web
13. E business
14. Cyber Security



Module IV: Be Your Own Boss

15. Who is an Entrepreneur?
16. Co-existing within the Business Ecosystem
17. Know your Business Processes
18. Know the External Business Environment
19. Be an Ethical Entrepreneur
20. Know your Tax System – Goods and Services Tax



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MODULE IV: BE YOUR OWN BOSS

15. Who is an Entrepreneur?
16. Co-existing within the Business Ecosystem
17. Know your Business Processes
18. Know the External Business Environment
19. Be an Ethical Entrepreneur
20. Know your Tax System – Goods and Services Tax



WHO IS AN ENTREPRENEUR?

Hello learners! We hope, by now you must have learnt about the various skills that you will need to become a great employee. You may also have been able to determine your career goals with aspirations flying high. Did you know, you can also be your own boss? Yes, you read it right. In this lesson we will be learning about—Who is an entrepreneur? How does one become an entrepreneur? and why one must choose to become an entrepreneur? We will try to find answers to these questions by reading about the innovative ideas of Arunachalam Muruganatham, Dilafrose Qazi and Bahadur Ali from our country and how they made these work!



OBJECTIVES

After studying this lesson, you would be able to:

- define and explain the concept of entrepreneur, entrepreneurship and enterprise;
- define and distinguish between entrepreneurship, employment, self-employment and profession;
- explain the key traits and skills required to be an effective entrepreneur;
- describe the influence of internal and external factors on the choice of entrepreneurship;
- explain the components and sectors of the Indian economy;
- classify the types of businesses in India; and
- explain the role of entrepreneurship at various levels.

15.1 WHO IS AN ENTREPRENEUR?

So, let us try to find out who are Arunachalam Muruganantham, Dilafrose Qazi and Bahadur Ali. What have they done that makes them so special?



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Arunachalam Muruganantham born in 1962 in Coimbatore, Tamil Nadu, grew up in poverty after his father's death. His mother worked as a farm labourer to help support his studies. During this period, he took up various jobs to support his family. In 1998, Muruganantham got married. He discovered his wife collecting waste rags and old newspapers to use during her menstrual cycle. He observed that this was a common practice in their village as sanitary napkins manufactured by large, multinational companies were very expensive, and hence unaffordable. Troubled by this, he started designing experimental pads. As menstruation is regarded as a taboo in India, Muruganantham soon became a subject of ridicule in his village. His family and community excluded themselves from his ideas. He couldn't even get the support of the women in his village to help him with his innovations, as women in India are shy talking about their menstrual cycle. It took Muruganantham two years to understand the process and technique used in the manufacturing of commercially pads. He also discovered that the imported machines used in the manufacturing of these pads were very costly, which is why these pads were sold at 40 times the actual cost of manufacturing. He went ahead to invent a low-cost machine that could be operated with minimal training. Muruganantham founded Jayaashree Industries, which now sells these machines to rural women across India. His invention and efforts towards generating awareness about the hygienic, menstrual practices followed in India have fetched him many awards. In 2016, he was awarded the Padma Shri by the Government of India. Year 2018 will see Akshay Kumar portraying the role of Arunachalam Muruganantham in the biopic titled *Padman*.



Fig. 15.1: Arunachalam Muruganantham

Born in 1962, Dilafrose Qazi grew up in Kashmir and completed her education from the University of Kashmir. In order to do something meaningful for the society, Dilafrose established the Srinagar School of Management in 1988 to teach young girls cutting, cooking, stitching and shorthand. It didn't take long for Dilafrose to start receiving life threats from the militants, warning her to



Fig. 15.2: Dilafrose Qazi

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shut down her polytechnic. Despite all the odds, including having her brother and husband kidnapped and attacked by militants, Dilafrose continued her journey. She went ahead to establish SSM College of Engineering and Technology, the largest private engineering college in Jammu and Kashmir. Further, Dilafrose Qazi expanded her mission and opened a sister college for Kashmiris in Haryana, helping secure the future of the generations to come.

Bahadur Ali was raised in Rajnandgaon in Madhya Pradesh. His father passed away at an early age and he got into the family's poultry business. The present market scenario and the upcoming changes in it led Bahadur Ali into the poultry feed business. He also ventured into soya bean processing, thus opening up a larger 'protein' market for his company—The India Broiler Group. The Group, today has a turnover of over Rs. 2200 crores.



Fig. 15.3: Bahadur Ali

So, did you find something interesting and unique in the examples shared above? Did you feel that the new-age, modern businesses are more innovative, idea-centric, need-based and not just product-based. If yes, great, you just discovered an entrepreneur!

An **entrepreneur** is a person who notices an opportunity and identifies an unfulfilled need. Then they either create a new product or a service to fulfil that need or add value to an existing product or a service.

As defined by, Peter F. Drucker, “An entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

Now, let us discuss the story of Maitreyi. Maitreyi is a resident of Meerut in Uttar Pradesh. Her family has been farming sugarcane for over three decades now. She too always had a keen interest in agriculture. After completing her masters in Economics she decided to learn about sugarcane farming. Maitreyi observed that even after selling the crop, much of it remained unused. The remaining crop was dumped into the storage where it was either used to feed the cattle or simply left to rot. This gave Maitreyi an idea! She discussed with her father the method of converting sugarcane into jaggery and refined sugar. Her family and friends helped her with the idea and Maitreyi decided to open a sweet shop. But this wasn't it. Understanding the present trend, Maitreyi further innovated she decided that sweets will not be made with sugar, but with jaggery. People would then have a healthier way of enjoying the sweets. With this, Mithaas Confectionery was born and so was Maitreyi – our entrepreneur.

MODULE - IV

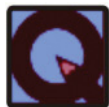
Be Your Own Boss



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Fig. 15.4: Customer care at Mithaas Confectionery



INTEXT QUESTIONS 15.1

So learners, have you understood who is an entrepreneur? Let's answer the following questions to find out about our own learning.

1. Read the following statements about different people and see who can be considered an entrepreneur and why? Mark them as true or false, give reason for your answer.

(i) Ramesh, the fruit and vegetable seller.

(ii) Satish selling used mobile phones on his website.

(iii) Anshuman, a college-level cricketer, who started his own cricket academy for young learners.

(iv) Neha who has opened her own beauty parlour and has hired two girls to help her.

(v) Ahmed who has joined his father's furniture shop.

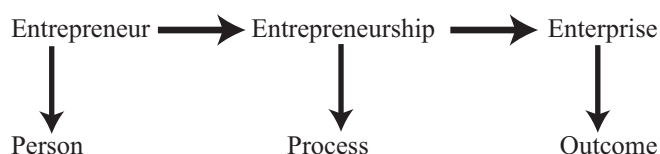
Great work! There is an important observation which we must make from Maitreyi's entrepreneurial journey. There has been a process which led to Maitreyi's conversion from an individual with an idea to being an entrepreneur. This process of creation and the set of activities performed by an entrepreneur is known as **Entrepreneurship**. Thus,

Entrepreneurship can be defined as the process of identifying opportunities and bringing together the resources required to pursue these activities for economic and social gains.

The end result or outcome achieved from this process is called an **Enterprise**. Thus,

An enterprise is the business organization created by an entrepreneur. It provides goods and services to the consumer, brings about innovations, generates employment, and contributes to the national income and the overall economic development and social growth.

The Concept of Entrepreneurship



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15.2 WAYS OF INCOME GENERATION



Fig. 15.5: It's all about choices

All of us have a choice to select the means by which we can earn our living. We can be an entrepreneur like Maitreyi, an employee, can be self-employed or can be a professional. Would you like to learn more about their different roles? Let us study for about this in Table 15.1:

Table 15.1: Difference ways of earning a livelihood

S. Number Points of Difference	Entrepreneurship	Employment	Self-Employment	Profession
1. Definition	It is a process in which an opportunity of an unfilled need is identified and either a new product or service to fulfils that need or adds value to an existing product or a service is developed. An entrepreneur is the owner of the enterprise.	It is when an employee renders his services for someone. An employee, works for an employer.	An individual works for herself/himself as a freelancer or as the owner of a business. However, unlike entrepreneurs a self-employed individual would not hire employees or other resources.	A qualified professional who provides services that require application of specialized knowledge, training and skills.
2. Risk	Involves a lot of risk-taking.	Involves least risk-taking.	Involves some risk-taking, though not as much as entrepreneurship.	Involves average risk-taking.
3. Rewards	Heavy rewards in terms of profit.	A fixed salary for the services rendered.	Income based on the amount of work done.	Fee in return of the services rendered.
4. Decision-Making	Complete decision-making authority.	An employee doesn't enjoy complete decision-making authority.	Enjoys complete decision-making authority.	A professional is required to function as per the rules and code of conduct defined by a governing body.

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Who is an Entrepreneur?

5. Responsibility	An entrepreneur is accountable for the decisions made.	Has to work as directed by employer. Not accountable for the decisions made by the employer.	A self-employed is accountable and responsible for the decisions made by him/her.	A professional is accountable to the governing body and responsible for the services rendered.
6. Innovation	An entrepreneur must always be on a look-out for new and innovative ideas and concepts.	An employee is only responsible to perform the job as expected by the employer.	A self-employed may or may not innovate on ideas and concepts.	A professional must keep herself/himself updated with the new rules and regulations.
7. Working Time	Not predictable, may or may not have fixed working hours.	Is predictable and fixed.	Can decide own work schedule, may or may not have fixed working hours, but will still have deadlines to meet.	Can decide own work schedule, may or may not have fixed working hours.
8. Passion	Passionate	Is only expected to perform his best and contribute to the enterprise.	Passionate to grow. This growth can also lead to becoming an entrepreneur.	Need to be passionate to grow and make a name in the chosen field of work.
9. Formation	An entrepreneur forms the enterprise himself/herself with minimum legal formalities.	An employee is given an appointment letter to start his services.	An individual can set up her work on his/her own, with minimum legal formalities.	Professional sets up a firm under the regulations laid down by the concerned governing body.
10. Funds	Funds required for starting an enterprise.	No funds required to start a job.	Funds required for starting the work.	Funds required for setting up a professional firm.



INTEXT QUESTIONS 15.2

1. So, are you enjoying these new terms and concepts? Is your brain ringing with ideas? Let's explore these ideas and further understand the ways of income generation. Match the following.

A.	B.
Entrepreneurship	Chef and owner of a restaurant
Employment	Freelance photographer
Self-Employment	Doctor at a government dispensary
Profession	A private doctor
	A travel company owner
	A lady running a tiffin service
	A photographer working with a leading newspaper
	A civil lawyer



Notes

15.3 KEY TRAITS AND SKILLS OF AN ENTREPRENEUR

We must understand that a successful entrepreneur has certain traits, skills and qualities. Let us try to know more about these. We will be able to identify some of these traits in ourselves and can plan to gradually develop them. This would be very helpful in achieving our entrepreneurial dreams.

A. Key Traits of an Entrepreneur

Do you know what these traits are? Many of them are mentioned in section 15.2. Let us learn about them.

1. **Innovative** – Introduces new ideas has originality and is creative in thinking.
2. **Passionate** – Has a strong belief in her/his idea.
3. **Visionary** – Who can imagine what the future will be or could be?
4. **Leader** – Is someone who can lead a group of people to achieve the desired goals.
5. **Adaptable** – Can adjust to different and new conditions or situations.

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Be Your Own Boss

Who is an Entrepreneur?



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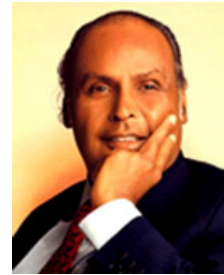
- Resilient** – Have capacity to recover quickly from any tough situation or difficulty.
- Persistent** – Should have the ability to continue putting efforts despite the difficulties and delays in achieving success. In this process, she must also continue to learn from her mistakes and failures.

Activity 15.1

We all know these famous figures. Don't we? And they are all achievers in their own field. Who, according to you, shows the above traits and qualities? List five traits that are common to all.



Shahrukh Khan – From a struggling theatre artist to becoming the Bollywood Badshah



Dhirubhai Ambani – From a small time dealer to becoming the founder of Reliance Industries



Karsanbhai Khodidas Patel – From a lab technician to becoming the founder of Nirma Group



M.S. Dhoni – From a railway ticket collector to becoming the most successful Indian Cricket captain

Now see if you have any of those traits in you. List them in the space below.

1. _____
2. _____
3. _____
4. _____
5. _____

B Key Skills of an Entrepreneur

The above qualities make an entrepreneur successful. Hard work and ability to use these qualities to enhance skills helps entrepreneurs to excel. Can you guess what kind of skills an entrepreneur must possess? Let us read about them.

1. **Decision-Making** – An entrepreneur must possess or develop the skill to take important decisions that will help in running the enterprise effectively.
2. **Risk Taking** – They must be willing to take risks in hope of achieving the desired outcomes and results.
3. **Resourcefulness** – It is the ability to bring together various factors that contribute in the **successful** running of an enterprise. An entrepreneur should be resourceful and must also be able to find quick and clever ways to overcome difficulties.
4. **Presentation Skills** – An entrepreneur must have or should develop the ability to present ideas, products and services, plan of action and the desired outcomes to the concerned partners.
5. **Communication Skills** – An entrepreneur must have or should develop the ability to convey and share ideas, feelings, emotions, knowledge and information effectively.
6. **Relationship Management** – The ability to establish, supervise and maintain relations with employees as well as between the enterprise and the connected, external channel partners.
7. **Foresightedness** – An entrepreneur supervises the managerial functions of an enterprise, which includes – Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting (**POSDCoRB**). To undertake these functions effectively, an entrepreneur must be foresighted. She should be able to learn from her past experiences and must continue to learn throughout her entrepreneurial journey.

Activity 15.2

Hope you are enjoying learning about these entrepreneurial traits and skills. We, definitely have a lot to learn from the successes, experiences and even failures of others. Let us read a story.

Kishori Lal, a 25-year-old young man, owned a very popular tea stall near the railway station in Bareilly. It was hard to miss his tea stall, the aroma of which always filled the busiest lanes. The secret recipe to his flavourful tea, however, was the masala made by his mother, Shanti Devi. Together they shared an endless inner zeal of becoming successful and were always trying new ideas. One day, Kishori told his mother how a foreign tourist requested him to share the recipe which she could take back home. Hearing this, his mother had an idea.



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Who is an Entrepreneur?



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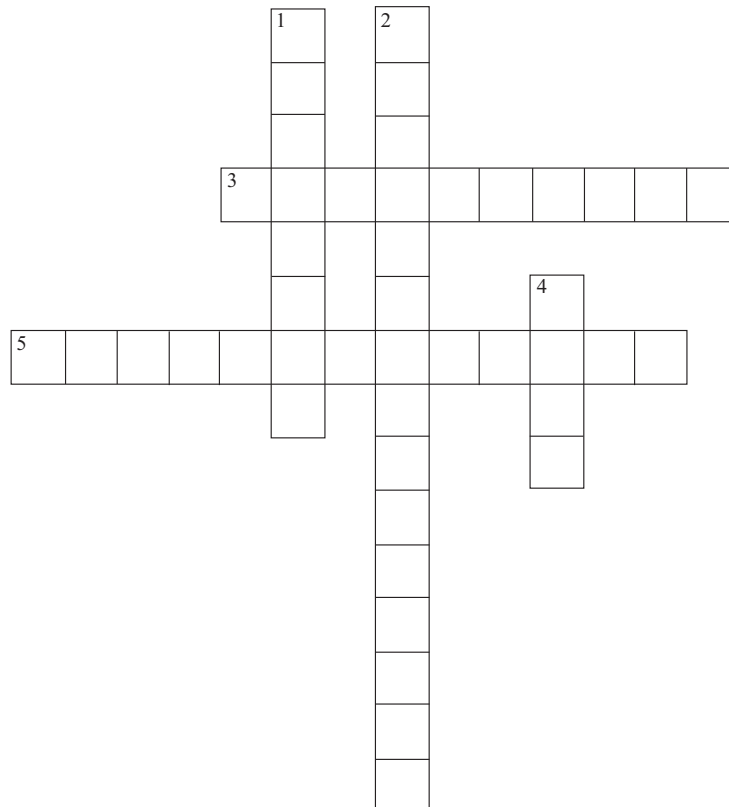
“Why don’t we start selling our masala at the tea stall, along with our tea?”
“I don’t think we should do this mother, as our primary work is preparing and selling tea. Also, what if people start buying our masala but stop buying our tea?”

Kishori’s apprehensions were valid but Shanti Devi convinced Kishori to test the idea for a few months. While Shanti Devi took care of procuring the masala ingredients and making the masala, Kishori studied their existing competition, price and packaging ideas.

After a few weeks of study, they decided to price their product at a lower rate than their competitors. The product became very popular with the tourists. For them, it became a memory to take away from the historical city of Uttar Pradesh. This product became a parallel business line for them, the primary being a hearty cup of tea. After 18 months, Kishori Lal and Shanti Devi started selling the masala under the brand name ‘Aap Ka Chai-Wala’. Today, ‘Aap Ka Chai-Wala’ is available across all leading departmental stores in Uttar Pradesh.

So, dear learners never think that your business idea is small or not good enough. Even the smallest of ideas can help you achieve the biggest of dreams.

Did you learn something from this story? Can you name the traits and skills both Kishori Lal and Shanti Devi showed throughout their journey. Let’s complete this crossword and find out.



Across	Down
3. Developing a business idea from a conversation with a tourist	1. Studying and evaluating the market conditions
5. Building a good rapport with his customers	2. Determining the vendors for producing masala on a large scale
	4. Introducing a new product line into an existing business



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C Role of Traits and Skills in making a Successful Entrepreneur

To be a successful entrepreneur you need to perform a number of functions. You must be wondering how these traits help in better performing these functions. The drive to innovate and succeed is often triggered by the inherent traits an individual possesses. In addition, one must continuously work towards enhancing and improving skills. This is what shall lead one to become a successful entrepreneur. Traits and skills help an entrepreneur to perform the following functions:



Fig. 15.6: The triangle of success

1. Entrepreneurial Functions – These are the most basic and critical functions in the life of an entrepreneur. These functions span over the stage of developing an idea to starting an enterprise. It includes the stage of setting up and running an enterprise. It also includes hiring people and other factors that assist in its functioning. All entrepreneurs must be very innovative in their ideas when it comes to developing their product or service. They must be forward-looking while taking decisions because their entrepreneurial journey depends on the decisions they take.

They must also be willing to take risks and have firm belief and confidence in their idea. At the same time, a successful entrepreneur also must learn



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to take responsibility for any loss that might occur due to factors, which due to some reason were not accounted.

2. **Promotional Functions** – After developing the idea and concept, the entrepreneur needs to bring together the facilities that shall assist them in the functioning of their enterprise. The factors of production include, land, labour, finance and technology. Such sourcing must be done with an aim to minimize the costs of production and reduce the risk of losses. As explained earlier, impressive presentation skills will play a very important role at this stage. It is helpful while presenting their idea and vision to various investors and bankers to get best possible business deal.
3. **Managerial Functions** – Do you remember that we studied about POSDCoRB while discussing the skill set that an entrepreneur must develop in their journey? The managerial functions of an enterprise largely include, planning, organizing, staffing, directing, coordinating, reporting and budgeting. All the ideas and efforts of an entrepreneur come together at this stage of actual implementation. Hence, all the inherent and acquired traits and skills come into play at this stage. Let us see what each of these terms mean.
 - (i) **Planning** involves determining the course of action to be followed in order to achieve the various entrepreneurial objectives. It, hence, entails decision-making in advance that is, what to do, when to do, how to do and who will do the given task.
 - (ii) **Organizing** involves assembling, directing and controlling the activities of the various factors of production. It, hence, entails leadership and resourcefulness on the part of an entrepreneur. She/he must also be adaptable and resilient at this stage.
 - (iii) **Staffing** is concerned with the human resource of an enterprise and involves making appointments for the positions created in the organizational process. It, hence, requires effective communication skills and efficient relationship management.
 - (iv) Leadership as a qualitative trait plays a very important role in the task of directing. **Directing** involves initiating a planned and an organized action. An entrepreneur directs and guides the activities and performances of all the employees and other factors of production, motivating them to attain certain goals and objectives. In this process, a successful entrepreneur shall also aim that both the employees and the enterprise achieves the desired results and satisfaction.
 - (v) **Coordination** involves issuing instructions and channelizing the efforts and activities of the factors of production of an enterprise, and steer them towards achieving a common, pre-decided goal. At this stage, effective communication skills and smart relationship management are a must for an entrepreneur. She must also ensure that the given

instructions are interpreted and implemented in the manner as they were intended to.

- (vi) **Reporting** first involves an entrepreneur setting standards of performance based on their foresightedness. Further, an entrepreneur needs to evaluate the actual performance against the set standards, find and understand the variations and finally use their decision-making ability to take corrective measures, if necessary.
- (vii) Finally, **budgeting**, involves estimating the financial requirements of an enterprise and then arranging for the actual funds that are needed in its smooth and successful functioning. Any entrepreneur would like to expand and diversify his/her enterprise in the future which will require funds. Such traits and skills will help an entrepreneur to successfully determine these needs and act upon them.

These are all the functions that an entrepreneur needs to fulfil. It is a good idea to know about all these skill and make a plan to improve upon each skill as a first step towards becoming an entrepreneur.

Activity 15.3

Now that you've read and learnt about entrepreneurs, it's time to meet some in person. Spend a day with at least two people you know, whom you consider as entrepreneurs. Ask them about their work and how they owned up to their passion and changed what they loved to do into a business venture. Also, observe what they do as part of their everyday work activities. Next, delve more into their venture and ask them the following questions. Record the interview and keep it in your portfolio.

1. Why and how did you become your own boss? What factors triggered the desire in you to become an entrepreneur?
2. According to you, what is that special trait and skill in you that helped you the most in becoming an entrepreneur?
3. Did your previous knowledge and experience help you while setting up this business?
4. What type of support did you get from your family and friends? Did you have any mentor to guide you? Did the government help you in any way?
5. According to you, which is the most important factor in your business—capital, human resource, raw materials or technology?
6. Rank the following on the basis of impact of each of these factors on your business? (Maximum impact 1 and Minimum 6)
 - (i) Political
 - (ii) Economic





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- (iii) Social
- (iv) Technological
- (v) Legal
- (vi) Environmental

15.4 INFLUENCE OF INTERNAL AND EXTERNAL FACTORS ON THE CHOICE OF ENTREPRENEURSHIP

There are several internal and external factors in the life of an individual which prompt and trigger the wish to become an entrepreneur. These also influence the course of an entrepreneurial journey. So far we have studied that an entrepreneur is someone who develops and owns an enterprise. She is a risk-taker, is innovative and persistent. More so, she exhibits a sense of leadership, responsibility and competitiveness.

Now, let us try and understand the factors that contribute in shaping their personality.

1. **Self-Discovery** – The first step in the journey of an entrepreneur is connecting with her inner self and identify the passion drive to do something different. At this stage, an individual must evaluate her strengths and weakness, interests and life experiences, family support, conditions and access to available resources. She must also be certain in deciding whether she wants to be her own boss or work as an employee under someone. These crucial factors and decisions will determine her field of operation and the kind of business ideas and opportunities she sets out to explore.
2. **Idea Germination** – In the entrepreneurial journey, this is the seeding stage for a new idea. It is at this stage, that the entrepreneur notices an opportunity and identifies an unfulfilled need. This process is termed as ‘Gap Analysis’ and an entrepreneur must use their creativity and past experiences to devise new and innovative ways to deal with these needs and wants. When such problems or challenges exist and a business idea leads to a solution, it emerges as a business opportunity.
3. **Evaluating Business Opportunities** – Can all business ideas be converted into opportunities? Can all business opportunities be converted into a successful business? These are some of the questions which an entrepreneur must assess at this stage. Business opportunity can be described as an economic idea which can be implemented to create a business enterprise and earn profits. The decisions of an entrepreneur at this stage will be governed by existing market for the product or service, demand for the prospective product or service, availability of the requisite factors of production, industry competition, government policies, expected profits and potential growth.

4. **Environment Scanning** – An entrepreneur must now proceed towards environment scanning. Environment scanning refers to the process of evaluating and comprehending the internal and external environment of an enterprise. It helps to detect the early signs of opportunities and threats that will directly influence the current as well as future plans of the enterprise. While the initial stages of spotting ideas and opportunities are random in nature, the development and implementation of these ideas is a more structured activity. At this stage, an entrepreneur must evaluate their product or service with reference to the present market conditions, demand and supply, competition, infrastructure requirements, funding, human resource requirements, legal and government policies and so on. Thereafter, they must choose the best amongst those in tune with the vision and goals.
5. **Rewards and Growth** – Once an entrepreneur has successfully developed a customer base for the product or service and adjusted the marketing and operational plans they can enjoy rewards in terms of profit. At this stage also, an entrepreneur must keep innovating and modifying his processes to suit the current market trends and meet the new problems and challenges that arise from time to time. They must also constantly review the past actions so as to take the necessary control measures, if needed. These factors will help an entrepreneur overcome obstacles and ensure the growth and longevity of his enterprise helping them make a significant difference in the society.

Why don't we take a trip inside Maitreyi's thoughts and see what ran through her mind before she started her business venture. Do read that paragraph again.

A) **Impact of Social Constructs and Gender Norms on the Choice of Business**

The society and its needs, human beliefs and attitudes have undergone a significant transformation. Many gender and ability barriers have been removed. Yet there are areas of occupation and professional life where these biases still exist, not only in India but in developed countries as well.

India is committed to uphold the rights of women to be included in all economic activities. Today, nurturing female entrepreneurial activities has gained immense importance. Worldwide over 50 per cent of the population is of women. If we constrict their role, we are also constricting the economic development of the nation and society in general. This has a negative impact on the economic development of the nations.

Yet some people and societies find it difficult to accept the idea that women have the ability and capability to run a business professionally and successfully. This creates hurdles for them to make use of their entrepreneurial talents. Gender stereotypes restrict the choice of businesses for women entrepreneurs. A generic



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statement—what are the ground for saying such things—either substantiate with an example. Their ability to start a business is also affected by cultural issues like family support and motivation. In case of family-run businesses, sometimes the business ownership is not passed to the women their thinking that they will be married and will become a part of a different family. “It is also often assumed that they cannot be successful entrepreneurs or business managers”. For what reason.

Another bias is the belief that male-owned businesses operate better than female-owned businesses. However, this is due to individual differences and the choice of sector and industry they choose to operate in. It is important to break the social construct and gender stereotypes to give equal opportunity to all.

B) How can these social and gender barriers be broken?

Following are some ways to break the social and gender barriers:

1. Inspiring the entrepreneurial spirit among women and raising awareness in regard to the existing and potential business opportunities.
2. Creating new businesses and job opportunities for women and imparting the necessary business knowledge and providing training for the same.
3. Various studies show that women are more sensitive to risk, compared to their male counterparts, when it comes to choosing a business venture. This tendency to avert business ventures involving a greater risk, often leads to female entrepreneurs choosing businesses with a fairly low potential and hence low rewards. Much like male entrepreneurs, females too must be encouraged to take up high risk ventures and the necessary support must be made available to them.
4. Promotion of gender equality and gender neutrality support from the government and other prestigious institutions shall help improve and encourage the role and contribution of women in the economic and social development of nation.
5. Especially in underdeveloped countries where the rate of female unemployment is largely high and due to several social constructs females are expected to stay home, entrepreneurship and business ideas wherein they can work from home can be a practical solution to earn money and hence reduce the rate of unemployment and thus poverty.
6. Entrepreneurship often gives women the flexibility to handle their domestic responsibilities while also providing financial support to their family.

Activity 15.4

Would you help us explore the potential business opportunities in the following scenarios? Also, discuss the pros and cons in every case with your friends.

Who is an Entrepreneur?

1. A young woman, who belongs to a family of folk singers in Rajasthan; want to build a business around this family tradition.
2. A class 12th passed, single parent from a Madurai, wants to earn a livelihood.
3. A young boy who manages his father's garment shop but wants to do something in the entertainment industry.
4. A farmer's well-qualified son with hearing impairment who wants to work in his village.
5. A transgender with a qualification in finance.

15.5 COMPONENTS AND SECTORS OF THE INDIAN ECONOMY



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Who is an Entrepreneur?



Fig. 15.7: Components of Indian economy

You must be familiar with the economic activities shown above. Observe these carefully, and you will find that some of these activities involve production of goods while others in to providing services.

A) Sectors of Economy

When we classify and group all of these economic activities under a common criteria, these groups are then referred to as the sectors of the economy.

Now, let us study these sectors in detail.

- 1. Primary Sector** – Activities involved in the production of goods directly by using the natural resources are activities of the primary sector. The goods produced under the primary sector form the base for all other products that shall be subsequently produced for example the cultivation of rice. Many of you may be engaged in this work and know that it is dependent on various natural factors like the prevalent weather conditions, soil conditions, availability of abundant water and the like. The final product derived from this process is also a natural product, that is, rice grains. Since most of the natural products are derived from agriculture, dairy, forestry and fishery, this sector is also known as the **agriculture and related sector**.

- 2. Secondary Sector** – Sector involved in manufacturing of finished or usable products is called secondary sector. These activities are associated with industrial manufacturing and processing. Goods produced under the primary sector form a base for the goods produced under the secondary sector. Let us take forward the example of rice that was our primary or agriculture-related sector. The rice grains obtained after the harvest are then sent over for processing to an industrial rice sheller. At this stage, the rice grain is first separated from the husk and then cleaned and polished. This step prepares the rice grain for direct consumption. Since most of the production and processing is undertaken by industries, this sector is also known as the **industrial sector**.
- 3. Tertiary Sector** – Activities involved in generating services that aid and support the production processes of the primary sector and the manufacturing processes of the secondary sector, are activities of the tertiary sector. These activities are not directly involved in the production or manufacturing of goods. Continuing with our example of rice now, our product, that is, the rice grains obtained after the final processing, would be packed and transported and then sold through wholesale and retail shops. During this process, it might also become necessary to store them at the warehouses. Financial aid will also be needed to smoothen the process. At various steps, communication via telecom and the internet will be established. All units providing the above-mentioned services are classified under the tertiary sector. Since the activities involved under this sector generate services, this sector is also known as the **service sector**.



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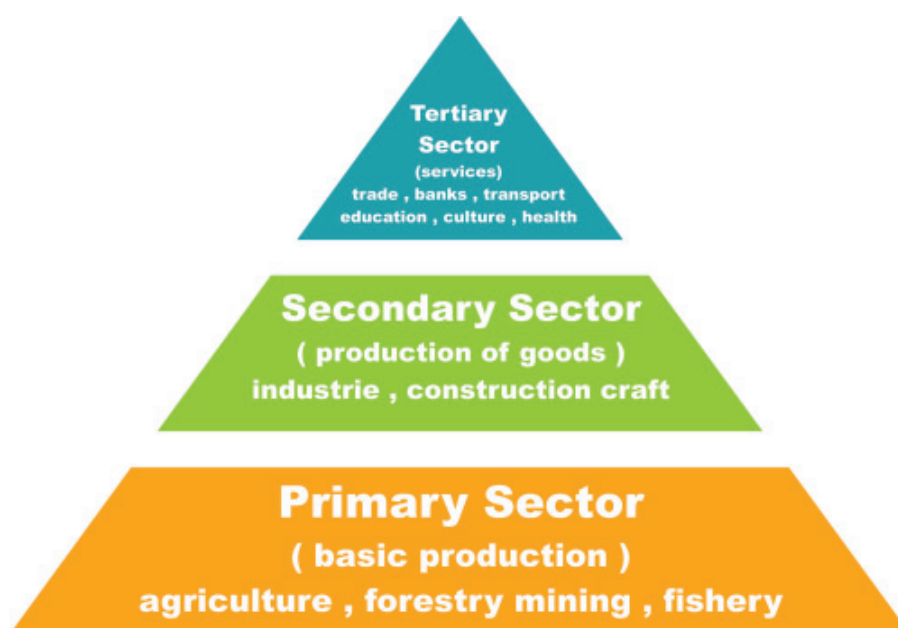


Fig 15.8: Sectors of economy



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INTEXT QUESTIONS 15.3

Classify the given activities into: Primary, Secondary and Tertiary Sector. Place the activity against each dot and wait to see what you discover.

1. Flower Farmer	6. Priest	11. Carpenter
2. Milk Vendor	7. Poultry Farmer	12. Pizza Delivery Boy
3. Quilt Maker	8. Book Binder	13. Wood Cutter
4. Mine Worker	9. Call Center Employee	14. Bio Gas Plant Worker
5. Textile Mill Worker	10. Bee Keeper	15. Beautician

Primary Sector

Secondary Sector

Tertiary Sector

•	•	•	•	•	•	•
•	•	•	•	•	•	•
•	•	•	•	•	•	•

B) Classification of Economy

Just like it is important for us to know the sectors of the economy, to identify the sector under which our potential enterprise will fall. It is also important to learn about the structure of the economy itself.

The economy, as a whole, can be classified into the following:

- 1. Formal Economy** – Formal economy or the formal sector is that part of the economy which is taxed and monitored by the government. All activities under the formal economy are included in the Gross National Product (GNP) and Gross Domestic Product (GDP) of a country.
- 2. Informal Economy** – Informal economy or the informal sector is that part of the economy which is neither taxed nor monitored by any form of government. All activities under the informal economy are not included in the Gross National Product (GNP) and Gross Domestic Product (GDP) of a country. The informal sector is also often described as grey market. The informal sector constitutes a significant portion of the economies in developing countries.

The following examples will help us to understand these terms clearly.

When Aarti joined office, she was given an appointment letter which stated all the terms and conditions of her work and her job responsibilities. She attends office from 9.30 a.m. to 6 p.m. On the basis of her qualification and experience,

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she gets a fixed monthly salary. She also gets incentives, medical allowance and provident fund as per the rules laid down by the government. She doesn't have to go to office on Sunday as it is a paid holiday for her. She is also entitled to get attractive retirement benefits. She gets these perks because of working in an organized sector.

Lochan, on the other hand, works as a porter at the local market. He is hired by the shopkeepers on a daily wage basis. He gets no formal letter of employment and can be asked to leave anytime. His working hours are never regular and his wages are often delayed for weeks and sometimes might not be as per his expectations or as promised by his employer. Lochan gets no other allowance or incentive. On the day he is sick, he loses wage for that day. He isn't paid for the days he does not work. He, therefore, has no leaves or paid holidays. Lochan doesn't enjoy the same benefits as Aarti because he is working in an unorganized sector.

So, do you see a difference in the working conditions of Aarti and Lochan? From this, we learn the following:

Table 5.2: Difference between organized and unorganized sectors

S. No.	Organized Sector	Unorganized Sector
1.	The enterprises that follow some formal processes and procedures. The terms of employment are also regular.	The units that do not follow any formal processes and procedures. The terms of employment are irregular.
2.	These are registered with the government and follow rules and regulations stated under the various laws such as The Factories Act, Minimum Wages Act etc.	These units are not registered with the government and hence are under no control of any government law or regulation.
3.	Workers enjoy a security of employment as they have a formal contract/agreement and monthly salary and other benefits.	Have no contract and security of employment. Nor do they have any other benefits.
4.	Have predefined work conditions and job responsibilities.	Have no predefined work and responsibilities. They only work as per the instructions of their employer.
5.	Are expected to work only a fixed number of hours. Paid overtime, if the situation arises.	Have no fixed duration of working hours. No provision for overtime.
6.	Workers have a certain forum and labour unions to express their grievances.	Have no forum or labour unions to express their grievances.

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INTEXT QUESTIONS 15.4

1. Classify the following activities and help complete this 2 × 2 matrix. Give reasons for the placement of the activity in the matrix.

Economy →	Organized Sector	Unorganized Sector
Formal Economy		
Informal Economy		

- (i) Self-Employed Plumber _____
- (ii) Police officer _____
- (iii) Potato Farmer _____
- (iv) Private Tuition Teacher _____
- (v) Government School Teacher _____
- (vi) Household Help _____
- (vii) Kaun Banega Crorepati Winner _____
- (viii) OLA Taxi Driver _____
- (ix) NGOs and Charitable Trusts _____
- (x) Sweeper in Municipal Corporation _____

15.6 TYPES OF BUSINESSES IN INDIA

So are you excited to start your own business and become an entrepreneur? Congratulations, you're onto something big! Entrepreneurs like yourself are truly fuelling Indian economy. One of the most important questions you must ask yourself is, "What type of business should I form?" Well, you can choose from the following major forms of businesses:

1. Sole Proprietorship – Sole proprietorship is the easiest business entity to establish in India. A single person can handle the entire business and there is no legal or financial distinction between the business and the business owner. A sole proprietorship firm doesn't need to be registered however, depending on the product or service, specific legal licenses or documents

may be required. The proprietor is the sole recipient of all profits and bearer of all losses. This means that the owner's personal assets can also be attached in case of a business liability. It is not possible to transfer the ownership of a sole proprietorship firm from one person to another. However, the assets of the firm may be sold from one person to another.

- 2. Partnership** – A partnership firm in India is governed by The Partnership Act, 1932. As per the act, Partnership is, “the relation between persons who have agreed to share the profits of the business carried on by all or any one of them acting for all”. Under this form of business two or more people can come together to form a partnership firm, subject to a maximum of 20 partners.

A partnership firm may/may not be registered with the Registrar of Firms (ROF). A partnership deed is prepared which states the amount of capital each partner contributes. Each partner is accountable for the profits or losses and their personal assets can be attached to meet the liability claims. As per The Partnership Act, the working partners can withdraw an agreed amount of salary from the firm. A partnership may/may not be dissolved in case of death or insolvency of a partner.

- 3. Limited Liability Partnership (LLP):** The LLP firm is a new form of business entity governed by the Limited Liability Partnership Act, 2008. Under LLP the liability of at least one partner is unlimited whereas the other partners have liability limited to the extent of their contribution. It provides protection to the partners in case of illegal or unauthorized actions undertaken by the other partners of the firm. Unlike general partnership, it does not get terminated by the death or insolvency of the limited partners.
- 4. Company:** A company means a group of associated persons who come together for the attainment of social and economic goals. It is governed by The Companies Act, 1956. A company is formed by its members who contribute a certain minimum amount as capital. The capital of the company is divided into shares which can be easily transferred from one shareholder to another. The members are recipients of profits and bearers of losses to the extent of their contribution in the capital of the company. However, a company has an independent corporate existence separate from its members. It continues to exist even if all its members are dead. The existence of a company can be terminated only by law.
- 5. Joint Hindu Family:** A Joint Hindu Family business is a distinct form of business that exists in India and is governed by the Hindu Law. The members of one family form a Joint Hindu Family firm. The Membership requires no consent or agreement but is acquired only by birth or by marrying a male



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member of that family. The business of the Joint Hindu Family is controlled by the senior most male member of the family known as the 'Karta' who has the final say in all affairs of the firm. A Joint Hindu Family firm does not have any separate and distinct legal entity from that of its members. The liability of the Karta is unlimited while the liability of the other members is limited to the extent of their contribution into the business. Each member of the family is responsible and accountable for the business profits or losses. The Joint Hindu Family business can only be dissolved if all the members of the family agree upon it and is not affected by the death or insolvency of any of its members.

- 6. Cooperative Societies:** Cooperative Societies are voluntary associations started with an aim of service to its members and protect those belonging to the economically weaker sections of the society. It is a democratic set up wherein the members work together for the promotion and protection of the interests of its members. The philosophy behind these societies is "All for each and each for all". Cooperative Societies are governed by the Cooperative Societies Act 1912. The members willing to form a Cooperative Society must share a common objective. They may be residents of the same locality, employees of the same organization, or members of a group sharing a common affinity and so on.. As per the Act, a Cooperative Society can be formed by at least ten adult members. There are no restrictions on the entry or exit of any member. A Cooperative Society is registered with the Registrar of Societies. A certificate of registration is also issued to the society. The society becomes a corporate entity from the date mentioned in this certificate.

Some other forms of business entities existing in the Indian Organized Sector are:

- 1. Non-Government Organizations (NGOs)** – A Non-Government Organization is a non-profit organization established with an aim of promoting educational and charitable purposes. These include – Charitable Trusts, Societies and Section 8 Companies.
2. Micro, Small and Medium Enterprises
3. Start-Up Company
4. Self-Help Groups



INTEXT QUESTIONS 15.5

1. Find the faults in following and rewrite correctly–

- (i) Raju being a Sole Proprietor has to share the business profit with his friend.
- (ii) On Satnam Singh's death, his youngest son Gurinder Singh becomes the Karta.
- (iii) To avoid conflicts in partnership, one should not have a partnership deed.
- (iv) The main objective of an NGO is to make profits through its social activities.
- (v) With the death of its Director, the Company became non-functional.



Notes

15.7 ROLE OF ENTREPRENEURS

Entrepreneurs are a critical element of a market economy and play a central role in catalyzing the economy and promoting economic activity. The dynamic societies in the world are the ones that have the most entrepreneurs. The economic success of nations like the United States and Germany has largely been the result of encouraging and rewarding entrepreneurial instincts. These countries have established the economic and legal structure that encourages entrepreneurs to greater activities.

In addition, not only does it provide a viable career path for the entrepreneur, it fosters a prosperous society by promoting success, prosperity, growth and opportunity for others. Entrepreneurship is a serious devotion with a direct influence on the economic development and growth of any nation. It also provides an impetus to job generation and employability, innovation and improved productivity.

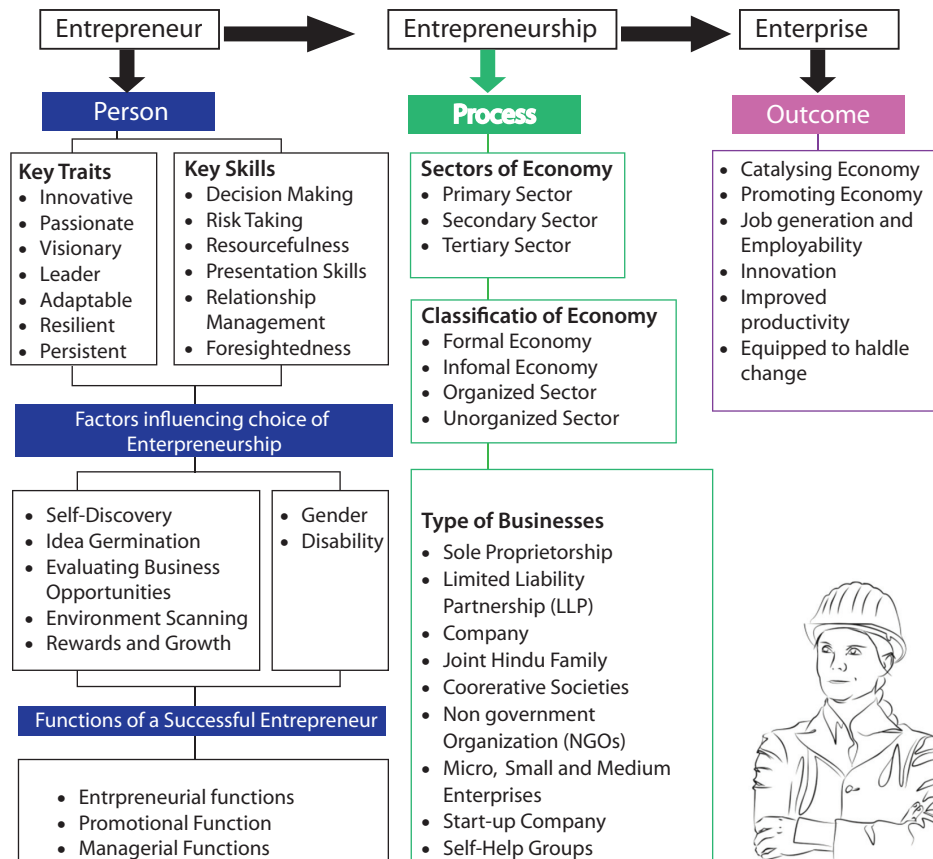
Friends, here are a few more ways in which entrepreneurs play a role. **New businesses challenge the existing market.** It brings in a new product or an existing product to a new set of customers. This in turn ensures that older companies respond to this competition. This healthy competition is good for the market and means that customers stand to benefit. They **increase jobs and create newer kind of jobs.** Entrepreneurs play a key role in creating jobs at the local and eventually global level. **Small businesses are better equipped to handle change** as they operate with fewer employees, have low overhead costs and fewer infrastructures than large companies. This allows them to be a lot more flexible and thus they can quickly respond to changes in the market conditions. This could be in terms of product changes, process changes or even hiring different kind of people. They can more quickly position themselves to tap in to a new opportunity.



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WHAT YOU HAVE LEARNT



ANSWERS TO INTEXT QUESTIONS

15.1

- (i) No, a fruit and vegetable seller is self-employed.
- (ii) Yes, because Satish employed some resources to establish the website, set up a supply and delivery channel, marketing efforts and so on.
- (iii) Yes. He is an entrepreneur as he is employing people to help in its functioning. Not only that, he also took loan from the bank with which he built the infrastructure.
- (iv) Yes, since she is also generating employment for others.
- (v) No, because he isn't establishing something new or bringing about a change in the already existing establishment.

15.2

Entrepreneurship – chef and owner of a restaurant; a travel company owner.

Employment – doctor at a government dispensary; a photographer working with a leading newspaper.

Self-Employment – freelance photographer; a lady running a tiffin service.

Profession – private doctor; civil lawyer.

15.3

Primary Sector – Flower Farmer, Mine Worker, Bee Keeper, Wood Cutter, Poultry Farmer.

Secondary Sector – Milk Vendor, Textile Mill Worker, Carpenter, Bio Gas Plant Worker, Book Binder.

Tertiary Sector – Quilt Maker, Priest, Call Center Employee, Pizza Delivery Boy, Beautician.

15.4

- (i) Self-Employed Plumber – Informal Economy, Unorganized Sector.
- (ii) Police officer – Formal Economy, Organized Sector.
- (iii) Potato Farmer – Informal Economy (because income isn't taxed), Organized Sector.
- (iv) Private Tuition Teacher – Formal Economy, Unorganized Sector.
- (v) Government School Teacher – Formal Economy, Organized Sector.
- (vi) Household Help – Informal Economy, Unorganized Sector.
- (vii) Kaun Banega Crorepati Winner – Formal Economy (because the winner is liable to pay tax), Unorganized Sector.
- (viii) OLA Taxi Driver – Formal Economy, Organized Sector.
- (ix) NGOs and Charitable Trusts – Informal Economy (all revenue is tax exempted), Organized Sector.
- (x) Sweeper in Municipal Corporation – Formal Economy, Organized Sector.

15.5

- (i) Raju being a Sole Proprietor has to share the business profit with his friend - Raju being a Sole Proprietor doesn't have to share the business profit with his friend.



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- (ii) On Satnam's death, his youngest son Gurinder Singh becomes the Karta
- On Satnam's death, his youngest son Gurinder Singh cannot become the Karta.
- (iii) To avoid conflicts in partnership, one should not have a partnership deed
- To avoid conflicts in partnership, one should have a partnership deed.
- (iv) The main objective of an NGO is to make profits through its social activities - The main objective of an NGO is not to make profits through its social activities.
- (v) With the death of its Director, the Company became non-functional - With the death of its Director, the Company cannot become non-functional.

**16**

CO-EXISTING WITHIN THE BUSINESS ECOSYSTEM

The moment you turned over the last page and opened this chapter, you should be happy on your achievement because you are doing very well. It must have been a great learning path until now. In this lesson, you will be studying the functions of Entrepreneurship and how it works in the business environment. Your confidence will further increase when you will read, learn and practice how entrepreneurs really work to coexist within this dynamic business environment. Dealing with these external and internal factors gives them the skills required to manage their venture and operate as a team within the ecosystem of new business.



OBJECTIVES

After studying this lesson you will be able to

- define entrepreneurship ecosystem;
- deduce various components of entrepreneurship ecosystem; and
- explain the role of mentor and incubation facilities offered by the government and other private agencies.

16.1 DEFINITION OF ENTREPRENEURSHIP ECOSYSTEM (EE)

Dear learner, do you remember learning about the many successful entrepreneurs in the last lesson? Not only have they put in their skills and hard work into their ventures, but have also achieved this tremendous success by establishing and balancing their enterprises within the “Entrepreneurial Ecosystem”.



Notes

First, let us understand the word “ecosystem”. According to the Collins dictionary, “An ecosystem is all the plants and animals that live in a particular area together with the complex relationship that exists between them and their environment.”

This definition also extends to the world of business and entrepreneurship, which is a network of interacting organizations and individuals. “Ecosystem refers to the elements—individuals, organizations or institutions—that helps, or prohibits, the choice of a person to become an entrepreneur, or the probabilities of his or her success.”

To create a sustainable entrepreneurship, ecosystem, isolated element is never sufficient. An entrepreneurial ecosystem consists of many interlinked and interdependent organizations and institutions which directly or indirectly affect and/or influence the working of an entrepreneur and the enterprise. Organizations and individuals representing these elements are stakeholders. Stakeholders are bodies that have an interest in the entrepreneurial venture.

Stakeholders often include public organizations and institutions working in the political, economic, social, technological, environmental and legal sectors of the country. Additionally, the stakeholders are also private organizations and institutions such as investors, suppliers, vendors, competitors, customers, bankers, brokers, advocates, researchers, consultants, marketing agents and many others. Entities like schools, universities, social leaders, research centres, labour representatives, students, lawyers, cooperatives and international aid agencies are also part of this ecosystem. These bodies, typically operate interdependently and productively to achieve common objectives and goals.

16.2 COMPONENTS OF AN ENTREPRENEURSHIP ECOSYSTEM

Approaches to define and measure entrepreneurial or entrepreneurship ecosystems vary widely, but there are certain components which are considered critical by most. These are defined below:

1. **Finance:** Includes access to debt; access to venture capital; access to grants; banks; microfinance institutions; public capital markets; development finance institutions; government finance
2. **Business Support:** Includes industry networks; incubators/accelerators; legal/accounting services, business mentors and technical advisers; credit rating agencies
3. **Policy:** Includes tax rates; tax incentives; costs to start a business

4. **Markets:** Includes domestic corporations; international corporations; consumers; distribution networks; retail networks; marketing networks
5. **Human-Capital:** Includes high schools; universities; technical training institutes; community colleges
6. **Infrastructure:** Includes electricity providers, transport services; communications (mobile, internet); other utility providers (gas, water)
7. **Research and Development:** Includes public research centres and laboratories; private research centres and laboratories and universities
8. **Culture:** Includes media, government, schools, professional associations, social organizations that support a culture of entrepreneurship



Notes

Each ecosystem is the result of the hundreds of components interacting in a complex manner. Education, regulatory and legal frameworks, and well-functioning capital markets do impact the level of functioning in the entrepreneurship ecosystem (EE). In general, the impacts are observed over a long time frame. If care is not taken at each component-level the impact can often be weak.

Figure 16.1 displays the elements of EE. You will notice that it is a cyclic diagram. The cycle denotes the interconnected mechanism of functioning of the EE.



Fig. 16.1: Components of Entrepreneurship Ecosystem



Notes

A sound, stable and strong EE helps entrepreneurs to plan right actions at the right time. It means that they can take care of the 5Ws—what, when, where, why, how.

What	* What are the Do's and Don'ts in external and internal Environment?
Why	* Why should be specific goals be set? Why do you think they are new and innovative?
How	* How to set-up and enterpreneurial ecosystem?
When	* When should you start managing human, financial and professional resources?
Where	* Where will resources such money and goods as come from?

Let us try to understand the EE components by revisiting the movie *Guru*. It focuses on the life of a self-motivated would-be **entrepreneur**, Gurukant Desai. In the movie, he is portrayed as a man who believes in his dream and through his entrepreneurial spirit, dynamism, resilience and confidence establishes one of the biggest corporate houses in India. The movie offers certain lessons for entrepreneurs to learn. In an entrepreneurial journey the first requirement is having an idea and the ability to work hard to make it a reality. In addition, to achieve your goal you need to be confident. Never give up before trying, like Guru Bhai, in the movie, who is enterprising and finds ways to overcome difficult situations. While the movie, *Guru*, is a fascinating representation of achieving success by any means, it also shows the courage of a man to face the consequences of his mistakes with dignity in a competitive corporate world.

Activity 16.1

Watch the movie *Guru* keeping the components of EE in mind. Discuss the following with your friends, family or peer groups:

1. Discuss the journey of Guru Bhai as an entrepreneur. Identify some of the challenges he encounters in his external ecosystem during his entrepreneurial journey.
2. What are some of the obstacles in his internal ecosystem (human capital, culture, personal struggles) that he overcomes along the way? Based on the movie, what are some of the interlinkages between various entrepreneurship stakeholders you observed and how do they play out in the story?
3. Pinpoint few challenges or the barriers faced by the protagonist or mean character with special reference to the governmental policies that existed for setting of a start-up or a new business venture.

- 4. Give one example scene from the movie that relate to each one of the components of ecosystem which have been discussed. Add these examples to your portfolio.

Don't you think that the story of Guru bhai in the movie is inspiring? He started from scratch and rose to the top over the years. His journey was not very easy. He successfully handled challenges such as strikes, shortages of manpower, corruption and economic slow down and many other such things to establish his business. He had the ability to change his business strategies in response to the changes in EE. He met each challenge with an innovative idea, plans and strategies. Such innovators have been helpful in setting us a right example for new entrepreneurs. It encourages young entrepreneurs to become part of successful entrepreneurial ecosystem.



Notes



INTEXT QUESTIONS 16.1

1. State whether the following statements are True or False (T/F). Rewrite the false statements.
 - (i) Rajam is an entrepreneur who has sound financial backing. She does not require feedback on her company's performance.
.....
 - (ii) Jignesh exports spices to Australia. His firm is not interdependent of the other entities in the ecosystem.
.....
 - (iii) Apart from finances and infrastructure, mentors and coaches play a critical role in promoting the growth of the entrepreneurial venture.
.....
 - (iv) Only new venture or a start-up gets affected by the social, economic, political, technological, natural and legal environment.
.....
 - (v) Entrepreneurs drive the entrepreneurship ecosystem.
.....

16.2.1 Healthy Entrepreneurship Ecosystems (EE)

Successful EE need to not only have support from human, financial and professional resources but should also coordinate with each other. They thrive in a business environment where government policies encourage and safeguard entrepreneurs and their initiatives.



Notes

Entrepreneurship Ecosystem is healthy if it takes care of the following fundamental requirements:

1. Takes care of maintaining its own unique environment
2. Continuously adapt to changes in the environment
3. Acknowledges and promotes success, which motivates and attracts new ventures
4. Remove barriers to communication effectively and promotes open communication among stakeholders in the EE
5. Invites financiers to actively participate in new ventures
6. Works with governmental and legislative bodies to reduce obstacles in business

Further, ecosystems are controlled by both external and internal factors. External factors, such as financial climate, political system, legal regulations, technological changes, big market disruptions, etc, control the overall structure of an ecosystem and the way things work within it.

A well known example of a successful and thriving EE is the Silicon Valley in the state of California in the United States. It has numerous companies that operate on a large scale.

Some other examples can be found in countries like Israel, Ireland and Taiwan, which have also worked hard to create dynamic entrepreneurial ecosystems. In some countries, these ecosystems have been developed to promote growth in specific sectors. One of the best examples is how the German government launched an initiative called “Bio-Regio” in 1995 to promote entrepreneurship in the life sciences domain. This EE led to sustained and dynamic interactions within the ecosystem, led to growth in the field of biotechnology and inspired similar programmes across Europe.

Developing dynamic entrepreneurial ecosystems is currently one of the objectives pursued by the Indian Government. This initiative seeks to create an environment where entrepreneurs can flourish and grow through better access to finance, better support for new businesses in the crucial phases of their lifecycle, easier business transfers, and clear and simple regulations.



INTEXT QUESTIONS 16.2



1. Please tick the correct answer in each of the following multiple choice questions.
 - (i) In the Entrepreneurship Ecosystem which of the following statement is most relevant?
 - A. Culture is not most important component out of the other components
 - B. Business Environment includes both internal factors and external factors
 - C. The ecosystem functions in a constant type of markets
 - D. EE is successful when there is no involvement of government at all
 - (ii) Ecosystem is
 - A. Self- sustaining
 - B. Not dependent on anything
 - C. Self-financed
 - D. Casually evolved overtime
 - (iii) Which of the following group best describes EE components?
 - A. Lifecycle and Growth
 - B. Government and Constitution
 - C. Business Environment and Finance
 - D. Structure and Calculations
2. Mention any of the two sub-elements for each of the following ecosystem components:
 - (i) Finance
 - (a)
 - (b)
 - (ii) Business Support
 - (a)
 - (b)



Notes

- (iii) Policy
 - (a)
 - (b)
- (iv) Human Capital
 - (a)
 - (b)
- (v) Infrastructure
 - (a)
 - (b)
- (vi) Research & Development
 - (a)
 - (b)
- (vii) Culture
 - (a)
 - (b)

16.3 Role of Mentor and Incubation Facilities Offered for Ecosystem Entrepreneurship

You must have enjoyed relating a movie to model of entrepreneurial ecosystem. Do you remember who mentored Guru in the movie? We will now try to understand the role of mentors and incubation facilities play in helping young entrepreneurs realize their dreams.

1. Mentors

Do you know who is a mentor or advisor and how she/he plays a crucial role towards success of a new venture? A mentor is a friend, philosopher and guide who handholds the budding entrepreneur and helps her/him in their growth and development. While some young entrepreneurs may start without the guidance of a mentor, some might need multiple mentors. A good mentor is someone who's by your side whenever you need them, and is almost like the co-promoter of your company. Mentors are the people who are well experienced in their chosen field. They understand the opportunities and trends of a start-up. Hence,

their advice can be very valuable. Sometimes entrepreneurs become very excited about their ideas, it is their mentors who give them the first reality check on their big dreams.

2. Business Incubation

Business incubation is a “dynamic process of business development” and a “business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services”.

Business incubators could be a bigger company, foundation or institution, and universities. These organizations help in fostering entrepreneurial skill. In doing this, they are also able to achieve certain objectives such as the promotion of the knowledge economy, increase in human capital skills, increase of employment and others. Startup Village is an example of a technology business incubator in Kochi. It is India’s first incubator that is funded jointly by the public and private sector. Department of Science and Technology, Government of India, Technopark Trivandrum and MobME Wireless are the promoters. Kris Gopalakrishnan, co-founder of Infosys and the most successful IT entrepreneur from Kerala, is the chief mentor at Startup Village. In the coming 10 years it aims to incubate 1,000 product start-ups by students from college campuses. Similarly Khosla Labs in Bangalore is an incubator in areas such as Mobile payment and banking, Retail efficiency and Healthcare delivery. UnLtd India at Mumbai is an incubator for social entrepreneurs helping them to develop as leaders.

The process of business incubation is carried out in three phases:

- (i) During the pre-incubation period a business idea is developed into a legally constituted enterprise with a marketable product/service. Development of a business plan, which analyses the business feasibility for the future enterprise are key areas of work during this period.
- (ii) The incubation phase provides a variety of simple services. From essential facilities like shared space to knowledge-intensive business services (KIBS) such as business information services, technology transfer services, information and communication technologies ICT or even international trade assistance. The economies of scale help start-ups bring down their costs.
- (iii) In the post-incubation phase, the relationship with the incubator continues by granting extensions of services for the graduated firm or by keeping it within the network. Financial services generate value addition through strategic alliances. We will now be learning how the concentration of these services generates value addition.



Notes

Be Your Own Boss



Notes

Mentoring and incubation facilities are offered by government as well as private agencies. In India, the government's start-up policy gives prime role to incubators by giving them recognition. Regulation guidelines and financial helps provided to the incubators for providing assistance to start-ups.

Named the Atal Innovation Mission (AIM), this initiative promotes Atal Incubation Centers (AIC) to create world-class incubation facilities across India with suitable physical infrastructure.

The AICs provide capital equipment, operating facilities, experts for mentoring the start-ups, business planning support, seed capital, providing industry partners, etc., required for encouraging innovative start-ups. Atal Incubation Centers have been established in the areas of manufacturing, transport, energy, health, education, agriculture, water and sanitation etc.

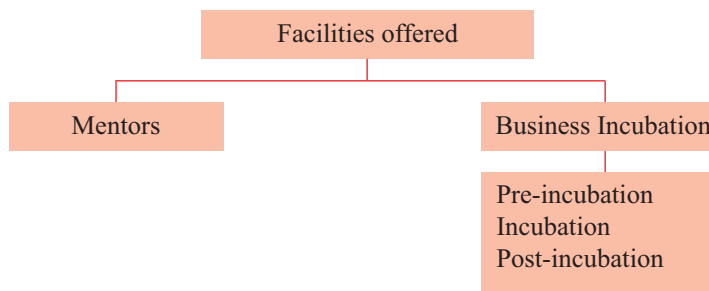
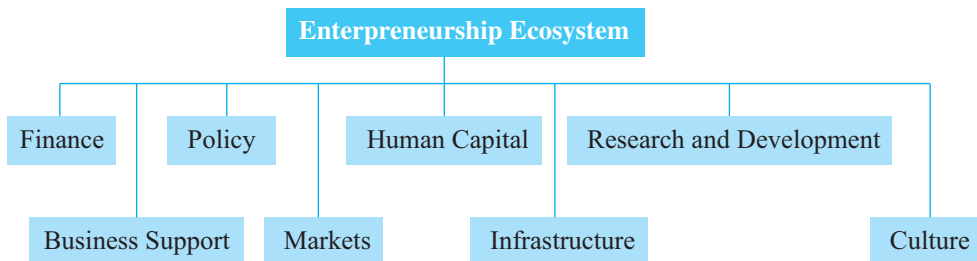
Business- and technology-related entities including higher educational institutions, R&D institutes, and corporate sector, alternative investment funds registered with SEBI, business accelerators, individual groups, and even individuals are eligible to apply as AICs. Selected AICs get a grant-in-aid of up to Rs. 10 crore for a maximum period of 5 years to cover the capital and operational cost under the AIM.

Where entrepreneurship and markets are stifled by inappropriate regulation, excessive taxation, lack of fair competition, lack of voice or an unstable policy environment, growth and poverty reduction are likely to suffer. Donors first fund research and analysis of business environment. The World Bank's various business reports are example of various such reearches. It identifies the major constraints to business growth in any country. They then work with government and other stakeholders to implement reforms. The private sector itself can play an important role in advocating a better business environment. Many development agencies, thus work to strengthen the capacity of businesses and business associations to engage in public-private partnership.

One way is to improve production processes. Another way is to increase the commercial linkages between the businesses that poor people own or work for. This way businesses can offer them new and more profitable opportunities either as customers or as suppliers. This approach of coexisting within the business ecosystem seeks to build markets and improve the performance of individual enterprises.



WHAT YOU HAVE LEARNT



Notes



TERMINAL QUESTIONS

1. Define entrepreneurship ecosystem. List four of its components.
2. In one sentence, differentiate between the following:
 - (i) Finance and Market
 - (ii) Human capital and Research and Development
3. How can entrepreneurship ecosystem be made robust and healthy?
4. Veera has an idea to develop a machine that can help reduce power consumption. Where would you recommend her to seek support and why?
5. Bharat proposes to start a restaurant serving Rajasthani and Gujratithali. Who according to you should he seek support from and why?



ANSWERS TO INTEXT QUESTIONS

16.1

- (i) F; All companies big or small require feedback.

MODULE - IV

Be Your Own Boss



Notes

Co-existing within the Business Ecosystem

- (ii) F; Jignesh's firm uses facilities such as courier services, local HR, electricity, government policies and others to conduct his business.
- (iii) T
- (iv) F; All ventures new or old get affected.
- (v) T

16.2

1. (i) A (ii) D (iii) C
2. (i) access to debt; access to venture capital
(ii) incubators/accelerators; legal/accounting services
(iii) tax incentives; costs to start a business
(iv) high schools; universities
(v) electricity providers, transport providers
(vi) public research centres and laboratories; private research centres and laboratories
(vii) media, government

You can also choose other options as discussed in section 16.2.

**17**

KNOW YOUR BUSINESS PROCESSES

In previous lesson, we studied business ecosystem and learnt about various components involved in entrepreneurship. Recall the importance of mentors and incubation process in setting up entrepreneurial ventures.

Business involves many components and all these need to work together. To understand the actual job of an entrepreneur, we must put ourselves in his/her place and understand how business actually runs with individual components of a business working smoothly as one unit.

In this lesson, we will learn about business processes.



OBJECTIVES

After studying this lesson, you will be able to:

- define business idea and differentiate between common terms: vision, mission, objectives, goals and core values of the organization;
- explain the role and importance of components such as capital, raw material, human resource and technology in starting a business venture;
- comprehend steps involved in management of resources like capital, raw material, human resource and technology;
- explain organizational policies related to HR, travel, gender, diversity and inclusion, child right/protection, CSR;
- explain organizational hierarchy, responsibility and accountability matrix, quality standards and decision-making processes; and



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- elaborate key concepts of human resource, accounts and finance, production, supply chain, quality processes, administration, operations and marketing.

17.1 BUSINESS IDEA, VISION, MISSION, OBJECTIVES, GOALS AND CORE VALUES

Have you ever been involved in a business that never seems to accomplish much? Regardless of how hard you work, you just do not earn profits or growth. The problem may be that the business has not decided where it wants to go and has not created a roadmap of how to get there.

For setting up a business, entrepreneurs need to have an idea. It is the starting point of any entrepreneurial activity.

1. Business idea is a concept using which entrepreneurs produce goods and services needed by the customers and can earn profits by selling these in market. Good business ideas should be:

- Innovative
- Unique
- Solving problems
- Profitable

An idea is just the beginning. Success of business largely depends on other entrepreneurial activities called business processes. For example, suppose you own a food stall and manage it yourself along with a helper. You do certain activities at food stall and these activities ensure success and failure of your business. Some of these activities include the following:

- (i) Taking orders from customers
- (ii) Making food
- (iii) Providing food to customers and taking money
- (iv) Maintenance of food stall

By carrying out these activities in a proper way, you can earn profits. Understanding business process is at the core of running a successful business.

Let us try to understand few basics that will guide an entrepreneur to understand what the relevant business processes are and how and when various business activities are to be done.

2. Vision of an organization is the big picture of what the company wants to achieve. This is described by one or more statements called vision statements. It outlines what a company wants to be in future. Vision statement makes

the beliefs of your organization clear to society, staff and customers. Vision statement should be:

- (i) Easy to communicate – for example, short enough to fit on a T-shirt
- (ii) Easy to understand
- (iii) Shared by your user base
- (iv) Broad enough to include variety of local perspectives
- (v) Inspiring
- (vi) Ambitious
- (vii) Realistic

Examples:

- ‘There will be a personal computer on every desk running Microsoft software.’ – **Microsoft**
- ‘To provide access to the world’s information in one click.’—**Google**
- To be the technology partner of choice for forward looking customers by collaboratively transforming technology into business advantage.’—**HCL**

3. Mission statement describes what a company wants to do now. It focuses on the present. It defines customer(s), critical processes and informs you about the desired level of performance. A good organization must have a clearly defined mission statement. Mission statements are more concrete and more “action-oriented” than vision statements.

Mission statements should be:

- (i) Short
- (ii) Memorable
- (iii) Unique to you
- (iv) Realistic
- (v) Current
- (vi) Result-oriented

Examples:

- ‘To give ordinary folk the chance to buy the same thing as rich people’—**Wal-Mart**
- ‘To organize the world’s information and make it universally accessible and useful.’ – **Google**



Notes



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- ‘We will be the employer of choice and the partner of choice by focusing on our stated values of Employees First, Trust, Transparency, Flexibility and Value Centricity.’—HCL

Basis of Differentiation	Mission Statement	Vision Statement
Meaning	A statement that describes company’s objectives and its approach to reach those objectives	A short statement that depicts company’s aspiration for future position of company
What it is?	Cause	Effect
Talks about	Present	Future
Shows	Where we are at present?	Where we want to be?
Term	Short term	Long term
Purpose	To inform	To inspire

Once an organization has developed its mission statement, its next step is to develop goals and specific objectives.

- Goals** are broad primary outcomes that a business wants to achieve. Goals tell us about the ‘whats’ of business. A business may have multiple goals. **For example:** “We must be a leader and increase our share in the home loan market.” Goals are generally not measurable and only provide a general direction to an organization.
- Objectives** are measurable and specific. Objectives quantify the thoughts and set a target to achieve its goals. **For example,** “increase the share in Home Loan segment to 15% by end of 2015 financial year”.

Let us understand how goals are different from objectives.

Goals versus Objectives

	Goal	Objective
Meaning	The purpose toward which an effort is directed	Something that one’s efforts or actions are supposed to attain
Action	Generic	Specific
Measure	Goals may not be strictly measurable or tangible	Must be measurable and tangible
Time frame	Longer term	Mid to short term

6. **Core values** are fundamental beliefs of an organization. These guide the behaviour of the people and help them to differentiate between right and wrong. Core values also help companies to determine if they are on the right path.

Core values help to define how the corporate should behave. Core values are expressed in the corporation's mission statement. Some core values an organization can have are as follows:

- (i) Dependability
- (ii) Reliability
- (iii) Loyalty
- (iv) Commitment
- (v) Honesty
- (vi) Efficiency
- (vii) Innovation
- (viii) Creativity
- (ix) Service to others

Example:

- A commitment to innovation and excellence. Apple Computer has innovation and excellence as its core value as reflected in “Think Different” motto

Activity 17.1

Think of one business idea in your field of interest. Create vision, mission, goals, objectives and core values of your organization. Keep these in your portfolio for assessment.

17.2 ROLE AND IMPORTANCE OF COMPONENTS

Business organizations operate as input-output model. Simplest input-output model is given in Figure 17.1, which shows that business takes certain inputs (such as capital, land, raw material, labour etc.), which are transformed through some processes (for example, welding, painting, dying, baking etc.) into outputs (final goods and services).



Notes



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Inputs are also called factors of production and are used to supply goods and services in an economy. For example, for producing wheat, a farmer uses inputs like soil, tractor, tools, seeds, manure, water and his own services.

These inputs can be categorized into following groups:

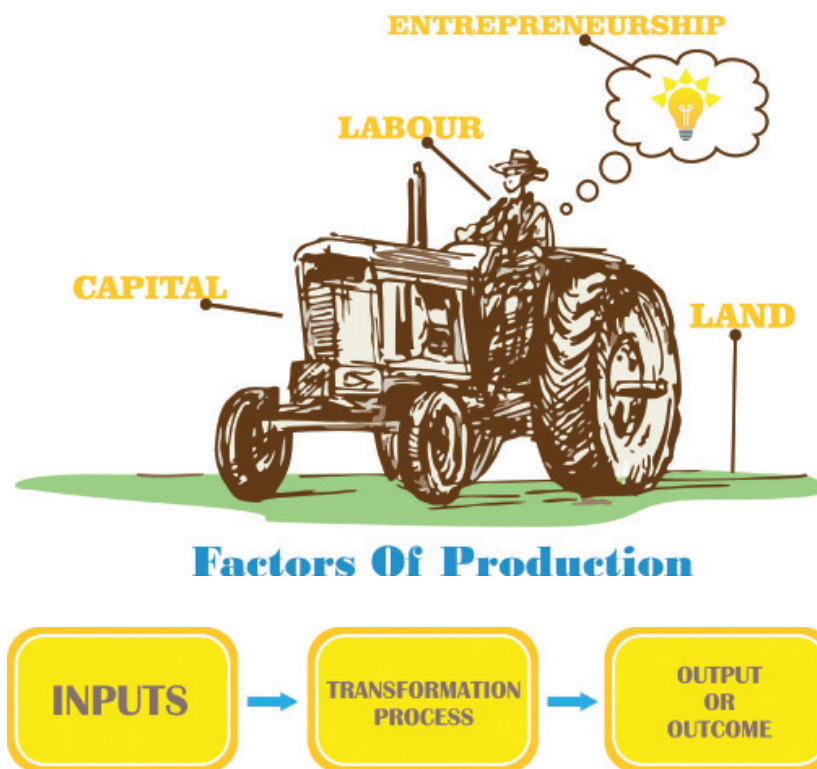


Fig. 17.1: Input-Output Model

1. **Raw Material** refers to all materials that are used to produce final goods and services. For example, for making bread, flour, yeast, sugar, milk, etc. would be raw material. Raw material can be natural (such as soil, water, forests, minerals, air, gas etc.) or manmade (such as screws used as raw material for making fans).
2. **Capital Resources** refers to money, which is invested to start a business. This money can be arranged in different ways. For example, an entrepreneur can invest his/her own savings or can borrow from friends. Banks also give loans to businesses.
3. **Human Resources** include all those people who help in making and selling of goods and services. Term is used for employees on your payrolls. This is most important resource of any business. Without humans, all other resources remain useless and unproductive.

- 4. Technology:** refers to various techniques, methods and processes which are used for producing goods and services. In today's world, technologies have made it possible to make better quality products at fast speed and lesser costs.

17.3 MANAGEMENT OF RESOURCES WITH REFERENCE TO POSDCORB

An entrepreneur organizes various factors of production and undertakes risks and uncertainties involved in production. He uses the management process known as POSDCORB (Acronym for Planning, Organizing, Staffing, Directing, Controlling, Reporting and Budgeting) for managing entire input-transformation-output process. The POSDCORB acts as an input for the production system and helps in conversion of inputs to goods and services. We will discuss POSDCORB later in the chapter.

Activity 17.2

Visit a nearby enterprise and identify various functions performed by an entrepreneur.

Also record inputs, transformation processes and outputs of the enterprise. Keep the report in your portfolio for assessment.



INTEXT QUESTIONS 17.1

1. State whether the following statements are true or false.
 - (i) Capital refers to human resources, which are employed in a business.
 - (ii) Core values are the fundamental beliefs of an organization.
 - (iii) Mission statement depicts the company's aspiration for the future position of the company.

17.4 KEY ORGANIZATIONAL POLICIES

Organizational policies are guidelines or course of action to be followed. An organization may have policies on various issues. In this lesson, we will be discussing policies related to HR, Gender, diversity and inclusion, child right/protection, CSR and travel.

- 1. HR policies** are formal rules and guidelines related to hiring, training, evaluating and compensating employees. Clearly written HR policies are helpful for both employees and employers. Some subjects covered under HR policies are as follows:



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- Equal Employment Opportunity policies
 - Workdays, paydays and pay advances
 - Overtime compensation
 - Meal periods and break periods
 - Sick days and personal leave
 - Performance evaluations and salary increases
 - Termination policies
2. **Gender, Diversity and Inclusion** policies cater to protection of rights of the specific groups of employees. Today's work force has a sizable number of women, minorities and downtrodden sections of the society. An entrepreneur has to ensure that these sections are properly represented at workplace and their rights are protected as per legal provisions of the country.
 3. **Child Right/Protection:** A child means anyone up to the age of 18 years. Children have civil, political, social, economic and cultural rights. On the other hand, Child Protection is about keeping children safe from risks. Child protection is the means through which all other rights of a child can be upheld. For example, as per Constitution of India, no child below the age of 14 years shall be employed to work in any factory or mine.
 4. **CSR** (Corporate Social Responsibility) is an effort put in by an organization to assess and take responsibility for effects of organization's actions on environment and society. It is a way to achieve balance between economic, environmental and social objectives of an enterprise. As per CSR Policy Rules, 2014, it is compulsory for companies having a Net Profit of INR 5 crore and more to spend at least 2 per cent of the average net profits of the company every financial year on CSR initiatives.
 5. **Travel** policy helps employees to understand travel reimbursement processes of an organization. It helps employees understand how much they will be paid and under what conditions.

17.5 ORGANIZATIONAL STRUCTURE, ROLES, RESPONSIBILITIES AND ACCOUNTABILITY, QUALITY STANDARDS AND DECISION-MAKING PROCESSES

1. **Organizational Structure** is a plan that outlines who reports to whom and who is responsible for what. Organizational structure helps a company to assign a hierarchy that defines roles, responsibility and supervision. A centralized structure gives most of the authority and decision-making power



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to the team at the top. A decentralized structure distributes authority and decision-making powers at lower levels.

Every member of an organization must know who their superiors are, what are their responsibilities and corresponding expectations, and what authority they have in order to make decisions.

2. **Roles** are expected behaviour associated with a particular position in the organization.
3. **Responsibilities** are the specific tasks or duties that members are expected to complete according to their roles.
4. **Accountability** is the responsibility for carrying out assigned set of duties or tasks, and for conforming with rules and standards applicable to their posts.
5. **Quality Standards** are detailed descriptions of the requirements, specifications and characteristics of a product or service to be produced. Quality standards ensure that the product is free from any manufacturing defects and all products are of uniform standards. Some important standards used are: ISO 9000, Six Sigma, Value Engineering, Lean/Six Sigma, Statistical Process Control (SPC) etc.
6. **Decision-making** is when an entrepreneur has to make various decisions for smooth running of enterprise. For example, which source of funds should be used, which products should be produced, which technology should be used and so on. For this, it is essential to understand decision-making.

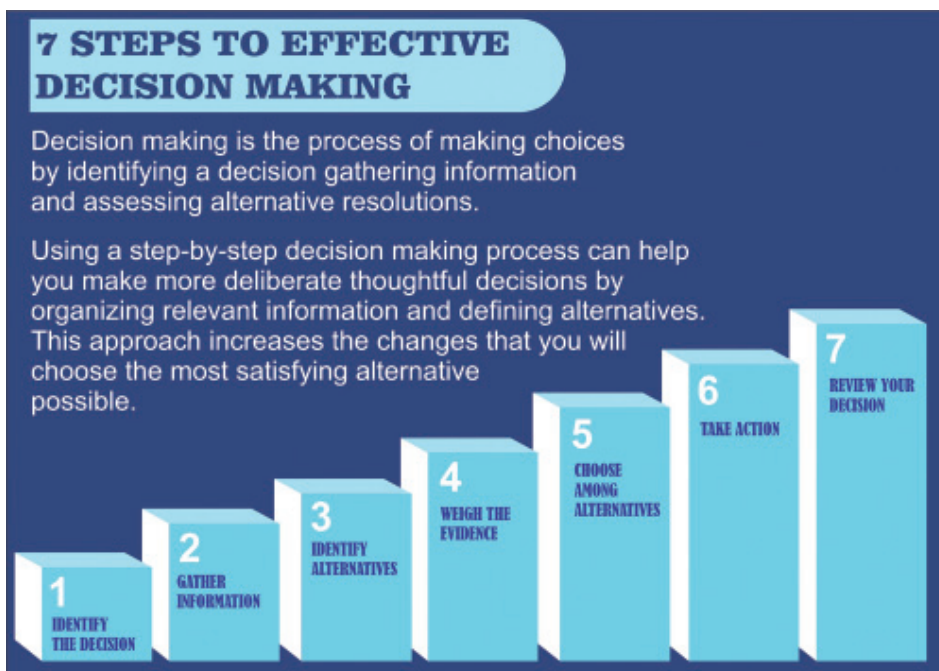


Fig 17.2: Steps of Effective Decision making



Notes

A. Role of Human Resource Department (HRD): HRD is responsible for recruiting, selecting training and administering employee-benefit programmes. Human resources play a key role in helping companies to deal with a fast-changing environment by fulfilling the demand for quality employees.

(i) **Recruitment** refers to the overall process of attracting the suitable candidates for available jobs in an organization.

(ii) **Selection** is the process of choosing the suitable candidate for a vacant job position in an organization. Selection involves testing and interviewing the candidates to evaluate their qualities. Let us understand the difference between recruitment and selection.

Table 17.1: Recruitment versus Selection

Recruitment	Selection
The process of identifying and attracting potential candidates to apply for the jobs.	The process of choosing the right candidates for the vacant positions.
A positive process as we attract as many candidates as possible for the vacant jobs.	A negative process as it eliminates many undeserving candidates.

(iii) **Training and Development** refers to any attempts to improve the performance of employees by increasing their ability to perform. This ability is improved by making employees learn the right way of doing work, giving them knowledge about latest developments or by bringing a change in their attitudes and perceptions.

Training and Development Need = Standard Performance – Actual Performance

Let us understand the difference between training and development.

Table 17.2: Training versus Development

Training	Development
Training is skill-focused	Development is creating learning abilities
Training presumes to have a formal education	Development is not education dependent
Training needs depend upon lack or and deficiency in skills	Development depends on personal drive ambition
Trainings are generally need-based	Development is voluntary
Training is a narrower concept focused on job-related skills	Development is a broader concept focused on personality development
Training is aimed at improving job-related efficiency and performance	Development aims at overall personal effectiveness including job efficiencies

- iv. **Performance appraisal** is the process of assessing employee performance by way of comparing present performance with established standards. After comparison, feedback is given to employees so that they can improve performance as needed by the organization.
- v. **Compensation** and benefits refer to the salary and other monetary and non-monetary benefits given by firms to its employees. Compensation and benefits is an important aspect of Human Resource Management as it helps to keep the workforce motivated.



Notes



INTEXT QUESTIONS 17.2

1. Fill in the blanks with appropriate words:

- (i) Workdays, paydays and pay advances, sick days and personal leave are examples of Policies
- (ii) CSR stands for
- (iii) Development is a concept focused on personality development

B. Accounting and Finance is important and the entrepreneur must keep record of various financial transactions for smooth functioning of business. S/he must know how much profit is being made and what the expenditures of the business are. Are the costs increasing or decreasing over time? One must be competent in issues of accounting and finance for good business planning. Let us try to understand few terms related to accounting and Finance.

(i) Accounting

- (a) **Book Keeping** is the recording, on a day-to-day basis, of the financial transactions and information pertaining to a business.
- (b) **Journal** is a detailed account that records all the financial transactions of a business so that they can then be used for future reconciling and transfer to other official accounting records, such as the general ledger.

Table 17.3: Journal

Date	Particulars	L.F	Debit (amt)	Credit (amt)
2/4/2014	Debited account	1	1000	
	To Credited account	2		1000
	(Narration/Explanation for journal entry)			



Notes

(c) **Ledger** provides a complete record of financial transactions over the life of the company. The ledger holds account information that is needed to prepare financial statements and includes accounts for assets, liabilities, owners' equity, revenues and expenses.

Table 17.4: Format of ledger account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)

(d) **Trial Balance** is a bookkeeping worksheet in which the balances of all ledgers are compiled into debit record (Dr.) and credit record (Cr.) columns. A company prepares a trial balance periodically, usually at the end of every reporting period.

Table 17.5: Trial Balance as per ledger accounts

Particular	Dr.	Cr.
Purchase	XXX	
Sales		XXX
Wages	XXX	
Salary	XXX	
Purchase Return	XXX	
Sales Return	XXX	
Machinery	XXX	
Land & Building	XXX	
Sundry Debtors	XXX	
Sundry Creditors		XXX
Bills Payable		XXX

- (e) **Income and Expenditure account and PNL account** are two statements that are prepared to find out net loss or net profit in a given financial year with the help of expenditures and income. However, there are few differences between the two as follows:

Table 17.6: Difference between Income-expenditure and Net Loss-Net Profit

Basis of Difference	Income and Expenditure A/c	Profit and Loss A/c
1. Definition	Income and expenditure account is the account which is prepared for finding the excess of income over expenditures or excess of expenditures over incomes.	Profit and loss account is the account which is prepared for finding net profit or net loss.
2. Not for Profit Organization or Business	Income and expenditure account is prepared by not - for profit organization whose aim is not to earn money.	Profit and loss account is prepared by a business where the aim is to earn money.
3. Basis of Preparation	Income and expenditure account is prepared on the basis of receipt and payment account and some other information.	Profit and loss account is prepared on the basis of trial balance and some other information.
4. Balance of Account	When we compare debit and credit side of this account, balance will be surplus or deficit.	The balance of profit and loss account will be net profit or net loss.

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Table 17.7: Format of Profit and Loss Account

Profit and Loss Account

Dr.		(For the period ended.....)		Cr.	
Particulars	Amount	Particulars	Amount		
To Gross loss bid		By gross profit bid			
To Salaries		By interest received			
To Rent		By commission received			
To Commission					
To Bad debts					
To Discount					
To Net profit transferred to		To Net Loss transferred to			
Capital Account		Capital Account			
Total		Total			

An example of a duly filled income and expenditure account can be seen at table 17.8



Notes

Table 17.8: Income and Expenditure Account for the year ended 31st March, 2011

Expenditure	Rs	Rs	Income	Rs
To Entertainment Material used:			By Subscriptions	6,60,000
Opening stock	49,000		By Interest on Fixed	
<i>Add:</i> Purchases	2,03,000		Deposits with Bank	33,000
	<u>2,52,000</u>			
<i>Less:</i> Closing stock	52,000	2,00,000		
To Salaries		2,10,000		
To Rent	99,000			
<i>Add:</i> Outstanding				
on 31.03.2011	9,000	1,08,000		
To Postage and Telephones		14,750		
To Insurance	25,600			
<i>Less:</i> Unexpired				
on 31.03.2011	6,400			
	<u>19,200</u>			
<i>Add:</i> Unexpired on 31.03.2011	5,600	24,800		
To Stationery used:				
Opening stock	1,000			

(f) **Balance sheet** is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. The balance sheet adheres to the following formula:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

Table 17.9: Balance Sheet

Liabilities	Amount (Rs)	Assest	Amount (Rs)
Share capital ...		Fixed assets	
Add: net profit/loss: net loss ...		Land & building	.....
Less: drawings	Plant & machinery	.....
Long-term liabilities		Furniture & fixtures	.....
Debentures	Vehicles	.....
Loans & advances from banks	Goodwill	.....
Other loans & advances	Investments	
Current liabilities		Current assests,	.....
Sundry creditors	loans & advances	.....
Bills payable	Sundry debtors	.....
Bank overdraft	Cash in hand	.....
Outstanding expenses	Cash at bank	.....
Income received in advance	Bills receivable	.....
Provisions		Prepaid expenses	.....
For taxation	Closing stock	.....
For dividend		



Notes

(ii) Finance

(a) **Budgeting:** Budget is a quantitative plan which helps to decide which activities will be chosen for a future time. Budgeting is the process of preparing a budget.

In business, budgeting for operations will include:

- preparing estimates of future sales
- preparing estimates of future cash collections and expenses
- preparing estimates of the future day-to-day activities of the organization

(b) **Break Even Point (BEP)** is the point of no profit–no loss. It means at BEP revenue from the total sales is equal to total costs.

Formula:

$$\text{BEP} = \text{Fixed Costs} / (\text{Selling Price} - \text{Variable Costs})$$

Fixed Costs do not change with the changed quantity of the products. Examples are rent, property tax, insurance etc.

Variable Costs vary with the production levels. They increase with the increase in production volumes. Examples are labour cost, material cost etc.

$$\text{Total Cost} = \text{Fixed Cost} + \text{Variable Cost}$$

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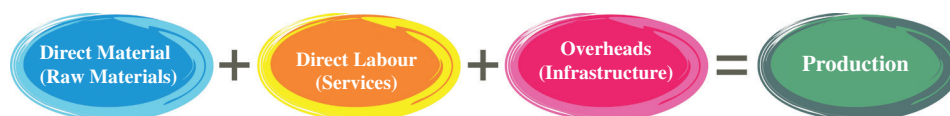


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- (c) **Return on Investment (ROI)** is used to evaluate the efficiency of an investment. Return on Investment measures the amount of return on an investment relative to the investment's cost.

$$\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

- (d) **Cost of Capital** refers to the cost of funds that are used for financing a business. Cost of capital depends on the mode of financing used. For example, if the business is financed equity, it refers to the cost of equity. Many companies use a combination of debt and equity to finance their businesses. For such companies, their overall cost of capital is derived from a weighted average of all capital sources.
- (e) **Production** is the process of transforming raw materials or purchased components into finished products for sale.



- (f) **Stock** is the supply of something for use or sale.
- (g) **Inventory** is raw materials, work-in-process products and finished goods that are considered to be the portion of a business's assets that are ready or will be ready for sale.
- (h) **Process selection** refers to the decision of selecting the most appropriate production process for the manufacturing unit. Choice of the process depends on type of product as well as volume of the product. Entrepreneur can choose from job shop, batch shop, assembly line and continuous processes.
- (i) **Productivity** measures the efficiency of production.
 Productivity = output/inputs
 Entrepreneurs should always aim for higher productivity.
- (j) **Packaging** refers to the process of designing, evaluating and producing packages. It holds, protects, helps in transportation and gives information to customers.
- (k) **Cycle time** is the total time taken to complete a process, from the beginning to the end, in a business organization.
- (l) **Efficiency** refers to the quality of work and includes creating output with less waste, using fewer resources or spending less money. If Bablu

sold 10 fans in May but spent Rs. 500/- on advertising expenses, while Jai sold 9 fans in May but did so by spending only Rs. 200/-, Jai is more efficient.

- (m) **Economic order quantity (EOQ)** is the optimal quantity of inventory a company should order, each time, in order to minimize the inventory holding and ordering costs.
- (n) **Supply chain** refers to management of flow of goods and services. It involves the movement and storage of goods from point of origin to point of consumption.
- (o) **Manufacturer** is one who makes goods for sale.
- (p) **Wholesaler** is one who buys large quantities of goods and then sells these to retailers.
- (q) **Distributor** is similar to wholesaler. They buy noncompeting products, warehouses them, and resells them to retailers or direct to customers.
- (r) **Vendor/ Retailer** sells goods to the customers. For example, neighbourhood shops.
- (s) **Customer** is someone who buys goods or services, especially from a shop.
- (t) **Warehouse** is a large building where raw materials or manufactured goods are stored before further distribution.
- (u) **Channel carriers** Channels are ways to sell products to market. Different carriers help in this. For example A **distribution channel** includes wholesalers, retailers, distributors and even the internet.
- (v) **Transport** or transportation is the movement of goods from one place to another via air, rail, road, water, cable, pipeline etc.

C. Quality Processes

In today's world, customers are very informative and demand quality products. Competition is very tough and if you do not give quality product, customers will switch over to other product and your business will suffer. Otherwise also, if you have quality processes and systems in your organization, you will be able to reduce waste and generate more profits.

Quality processes have preset **quality** targets, which are undertaken, measured and any deviation is reported and corrected.

- (a) **Quality management** refers to the overall management of various processes to ensure value control, minimum errors and consistency in product/service. It has four main components: quality planning, quality assurance, quality control and quality improvement.



Notes

Be Your Own Boss



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(b) **Total Quality Management** is defined as a continuous effort by the management as well as employees of an organization to improve processes, products, services and the culture to ensure long-term customer loyalty and customer satisfaction.

The eight principles of total quality management are as follows:

- Customer-focused
- Total employee involvement
- Process-centered
- Integrated system
- Strategic and systematic approach
- Continual improvement
- Fact-based decision-making
- Communications

(c) **5 S** is a Japanese workplace organization technique. It helps in effective and efficient work place organization by identifying and storing the items used, maintaining the area and items, and sustaining the new order using very simple 5 steps.

Seiri (Sort), Seiton (Straighten, Set), Seiso (Shine, Sweep), Seiketsu (Standardize) Shitsuke (Sustain)



Fig. 17.3: The 5 S organization technique

(d) **Kaizen** is a Japanese word which means “improvement” or “change for the better”. Kaizen is defined as a continuous effort by each and every employee (from the CEO to field staff) to ensure improvement of all processes and systems of a particular organization.

(e) **Quality Tools** is the name given to seven basic graphical techniques that are most helpful in solving quality problems. These seven tools are as follows:

- Cause-and-effect diagram/ “fishbone” / Ishikawa diagram
- Check sheet
- Control chart
- Histogram
- Pareto chart
- Scatter diagram
- Stratification/ flow chart /run chart

(f) **Quality Control** is a process through which a business seeks to ensure that product quality is maintained or improved and manufacturing errors are reduced or eliminated. Quality control requires the business to create an environment in which both management and employees strive for perfection.

D. Administration and Operations refers to various processes, activities, functions, tools and standards used for running business enterprise.

- (a) **Purchase order** is an official offer issued by buyer to seller. It has types, quantities and agreed prices for products or services.
- (b) **Payment** is the exchange of value from one party to another for goods or services it has purchased. The most common means of payment are money, cheque, debit, credit or bank transfers.
- (c) **Invoice** or bill is issued by a seller to a buyer. It lists products, quantities, agreed prices and payment terms.
- (d) **Audits** are a systematic and independent examination of accounting records and books to ensure that these are properly maintained as required by law.
- (e) **Management Information System (MIS)** refers to collection and processing of information through computers and other intelligent devices to help entrepreneurs to take better decisions.



Notes



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E. Marketing is that management process through which goods and services move from concept to the customer. It is done by coordinating 4 P's of marketing that are:

- identification and development of a **product**,
- its **price**,
- a distribution channel to reach the customer's **place** and
- **promotion** of product.

(a) **Market Survey** is a method of researching the markets to find out spending characteristics and purchasing power of the consumer.

(b) **Types of Product**

Mainly there are two types of products as follows:

Business Product	A product used to manufacture other goods or services, to facilitate an organization's operation or for resale to others.
Consumer Product	A product bought to satisfy an individual's personal wants.

- (c) **Branding** is the process of creating a unique name for your product in consumers' mind.
- (d) **Reputation** refers to the observers' collective judgments of a corporation based on assessments of financial, social and environmental impacts over time.
- (e) **Goodwill** is value of a company's brand name, customer base, good customer relations and good employee relations. It is an intangible asset.
- (f) **Public relations** is the profession or practice of creating and maintaining goodwill of an organization's various publics (customers, employees, investors, suppliers etc.), usually through publicity and other nonpaid forms of communication. These efforts may also include support of arts, charitable causes, education, sporting events and other civic engagements.
- (g) **Media and social media management** refers to utilizing various available modes of communication to create a favourable image of the organization.
- (f) **Unique Selling Proposition** or USP is a unique selling point in your product. It is something you have and your competitors don't have. For example, lowest price or highest quality.

- (g) **USP branding** refers to creating and selling a brand using USP. It helps in attract new customers.
- (h) **7 P's** refer to the marketing mix for services. These P's are—Product, Price, Place, Promotion, People, Process and Physical Evidence.

(F) In-House Production versus Outsource and Subcontracting

Many times an entrepreneur has to decide whether production should be carried out in-house or should he/she get it done by outside agencies. There are advantages like better control, maintaining secrecy, reducing competition when things are done in-house. But outsourcing and subletting may lead to lower cost and better expertise.

- (i) **In-House Production** is conducting operations within the organization using internal resources.

Advantages of in-house production are as follows:

- Flexibility
- Quality control
- Speed to market
- Developing of essential technology skills

Disadvantages of in-house production are as follows:

- Production expense
- No economies of scale
- Limited skills
- Tying up of resources

- (ii) **Outsourcing** is the practice of transferring portions of work to outside suppliers

Advantages of outsourcing are as follows:

- Fewer staff required
- No in-depth specialist required
- Less investment required
- No pressure to operate at full capacity

Disadvantages of outsourcing are as follows:

- Time-consuming preliminary arrangements
- Dependent on the external supplier

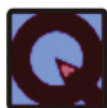


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(iii) **Subcontracting** is hiring of additional individuals or companies called subcontractors to help complete a project. The main contractor is still in charge and responsible for completing the project.



INTEXT QUESTIONS 17.3

1. State whether the following statements are true or false.
 - (i) USP stands for unique Selling Price.
 - (ii) MIS stands for Marketing Information System.
 - (iii) Productivity= output/inputs



WHAT YOU HAVE LEARNT

In this chapter, we learnt about the importance of finding a good business idea and developing vision, mission, goals, objectives and core values of an organization. We also came to know that businesses work on input-output model and consume capital, raw material, human resource and technology as inputs which are converted in to outputs by the way of POSDCoRB management process. Further, we learnt about organizational policies related to HR, gender, diversity and inclusion (gender, caste and class), Child Right/Protection, CSR, travel and organizational functions such as organizational structure, roles, responsibilities, accountability, quality standards, decision-making processes, Human resource, Accounting and Finance, Production,

Key concepts related to these organizational functions and processes. Such as Quality Processes, Supply chain, Administration and Operations and Marketing were also defined and discussed.



TERMINAL QUESTIONS

1. What should be the characteristics of a vision statement?
2. Differentiate between vision and mission statement.
3. Write any two differences between goals and objectives.
4. What will be the various factors of production for an oil drilling company?
5. Briefly explain the selection and recruitment functions of HR.

6. List 7P's of service marketing mix.
7. Explain briefly 5S technique of quality management.



ANSWERS TO INTEXT QUESTIONS

17.1

- (i) False (ii) True (iii) False

17.2

- (i) HR (ii) Corporate Social Responsibility (iii) Broader

17.3

- (i) False (ii) False (iii) True



Notes

MODULE - IV

Be Your Own Boss



Notes

18

KNOW YOUR EXTERNAL ENVIRONMENT

Dear learners, you have covered a long path, learning about employability and entrepreneurship. A successful entrepreneur adds wealth to the nation by creating an ethical business environment.

In the previous lesson, you have learnt about various internal factors that influence setting of a business enterprise. However, your task does not end there. No business exists in vacuum. There is an interesting world which lies outside the organization that will affect the way you run the enterprise. In this lesson we would be learning about all external forces that affect the business enterprise.



OBJECTIVES

After studying this lesson you will be able to:

- explain the impact of global, national and local factors on business enterprise;
- explain PESTEL analysis to scan the external environment of business enterprise;
- differentiate between the inhibiting and the facilitating factors; and
- collect real time information related to internal and external factors facilitating the initiation of a business enterprise.

18.1 IMPACT OF GLOBAL, NATIONAL AND LOCAL FACTORS ON BUSINESS ENTERPRISE

Can business be completely controlled by an entrepreneur? Have you ever thought about the factors that influence operation of a business enterprise? There are many internal and external factors that affect the functioning of an enterprise like society, political and economic conditions of the country, the technological and the environment-related matters and others that need to be considered when you are operating your business. Let us try to understand this with the help of a story.



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Dr Rao, a young veterinary doctor along with his team members Deshmukh, Chandravarkar and others comes to a village in Kheda district, Gujarat. They plan to set up a cooperative society which will be collectively owned and managed by the villagers engaged in cattle rearing. The village is inhabited by poor people whose main occupation is cattle-rearing and production milk. They sell milk to a local wealthy dairy owner who exploits them. He is also the local moneylender. He feels threatened by the idea of the cooperative society in the village. On the other hand, the Sarpanch, wants to use the cooperative society to increase his influence and power in the village. Dr Rao and his team deal with village politics, rigid caste system and distrust of the villagers. Finally Dr Rao wins the trust of Bindu, a local social activist. After testing the milk, he pays a fair amount for the high fat-content milk she sold to the cooperative. She influences the other villagers to also bring the milk to the cooperative. The Harijans didn't want to sell the milk to the cooperative society as they felt that the members of higher caste will snatch the milk and start exploiting them again. However, Dr Rao convinces them to stand in the election for the post of the head of the cooperative society. In the election, the Harijan representative defeats the high caste contenders. The Panch asks Bindu to put her thumb impression on legal papers claiming misdoings by Dr Rao. Dr Rao feels shattered and decides to finish the setting up of the board and leaves the village. He gives the charge to the newly elected Harijan, who becomes the head of the cooperative society and successfully manages it with support of villagers and Bindu. This timeless classic story shows the victory of good intentions through the collective efforts of the masses.

Do you know whose story is it? A name that resonates in our daily life "AMUL"- a cooperative started in Anand, Gujarat, as a result of the white revolution?

Be Your Own Boss



Notes

From the above story, we have understood that there are various external factor that influence the establishment and operation of the business enterprise. Some of them are society, the financial condition, the political climate, we live in the legal procedures.

Activity 18.1

Let us see if you can identify the external factors impacting decision-making in the Dr Rao’s story. Pick up the relevant examples from the story and write it in the box as follows:

S. No	Factors	Examples
1.	Political	
2.	Economic	
3.	Social	
4.	Technological	
5.	Environmental	
6.	Legal	

18.2 ANALYSING THE EXTERNAL ENVIRONMENT WITH THE HELP OF PESTEL ANALYSIS

As you may have understood from the above example that many factors come into play while running a business enterprise. They are political, economic, social, technological, environmental and legal. The analysis of these factors is called PESTEL.

Let us understand these factors in detail now.

1. Political Factors

Dear learners let’s explore whether the relationship between the government and entrepreneur is one sided,where only entrepreneur benefits from the government support or is it symbiotic,where both need each other to generate finance and employment for the nation.

Political factors consist of study of laws, policies and regulations made by the government.

Stable political environment creates confidence in citizens and companies investing or planning to invest in a particular country. Political decisions made,

strongly influence the social and cultural environment of a country. Decisions taken by politicians can promote or slow down the pace of new technology adoption within the country. The decision of the government in 1984 to bring computers to India changed the ways business is done today. Government also provides support to the start-ups through various schemes, incentives and other methods. For example, the MSME Act, 2006 was enacted to promote self-employment and entrepreneurship in India.

To begin understanding the political factors, you need to start analysing the following things and identify them according to your relevant sector.

- (i) **Government Schemes:** They can be defined as any plan, programme or policy officially adopted and followed by the government. Under the Ministry of Micro, Small and Medium Enterprises and joint collaboration between different departments, various schemes for entrepreneurs have been initiated. These schemes motivate and encourage young minds to innovate to women entrepreneurship and to promote self-employment. Government of India offers various schemes for entrepreneurs in sectors such as agricultural, chemicals and fertilizers, finance, commerce and industry, communication and information technology, corporate affairs, culture, food processing, housing and urban poverty alleviation, and science and technology etc. Under these schemes, entrepreneurs get financial assistance, insurance, subsidy, training, early stage technology set up, business loans.
- (ii) **Government Subsidies:** It is the money paid by the government to help an organization or industry to reduce costs, so that it can provide products or services at lower prices to the consumers. Some of the subsidy schemes are:
 - (a) Centrally Sponsored Scheme – Subsidy For Organic Farming and Production of Bio-fertilizers
 - (b) Centrally Sponsored Scheme for Setting Up of Rural Godowns and Storage Infrastructure
 - (c) Centrally Sponsored Scheme for Agricultural and Marketing Infrastructure Upgradation
 - (d) Capital Investment Subsidy Scheme for Setting Up of Agri Clinics and Agribusiness Centres
 - (e) Warehouse Infrastructure Fund for Construction of Cold Storages, Warehouses, Silos and other Cold Chain Infrastructure
 - (f) DeendayalAntyodayaYojana – National Rural Livelihoods Mission (DAY NRLM)

**Notes**



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- (g) Scheme for Promotion of Women SHGs (WSHG) in Backward and LWE (Left Wing Extremism) districts of India
- (h) Capital Subsidy Scheme for Technology Up-gradation of Micro and Small Enterprises
- (i) Long Term Irrigation Fund for Farmers to Build Irrigation Canals
- (j) National Livestock Mission for rearing of Pigs, Poultry, Buffalos and Rabbits
- (k) Funding for Setting Up Food Processing Units and Food Parks
- (l) Capital Subsidy-cum-Refinance Scheme for Installation of Solar Off-grid
- (m) GoI Scheme – Dairy Entrepreneurship Development Scheme

(iii) Government Tax Policy: Taxes in India are levied by the Central government and the state governments. Some minor taxes are also levied by the local authorities such as the Municipality. Taxes are of two distinct types: direct and indirect taxes. The difference comes in the way these taxes are implemented. Some are paid directly by you, such as the income tax, wealth tax, corporate tax etc., while others are indirect taxes, such as the value added tax, service tax, sales tax etc. But, besides these two conventional taxes, there are also **other taxes** that have been brought into effect by the Central government to serve a particular agenda. 'Other taxes' are levied on both direct and indirect taxes such as the recently introduced Swachh Bharat Cess tax, KrishiKalyan Cess tax and infrastructure Cess tax among others.

(iv) GST: Goods and Services Tax (GST) is an indirect tax levied in India on the sale of goods and services. The tax came into effect from 1 July 2017 by replacing existing multiple cascading taxes levied by the central and state governments.

Dear learners, the benefits to entrepreneurs does not end here. The Government of India has come up with schemes like Make India, Skill India and Digital India to strengthen the economy of the nation which can only be done by budding entrepreneurs like you.

The Make in India programme was launched in 2014 to transform India into a global design and manufacturing hub. This programme came into existence to get the Indian economy out of the



crisis situation when its growth rate had fallen to the lowest level in a decade. But today, looking at the progress made by this scheme, the world’s largest democracy is on its way to becoming the world’s most powerful economy.

Similarly, the Skill India programme, popularly known as Pradhan Mantri Kaushal Vikas Yojana (PMKVY), is the flagship scheme of the Ministry of Skill Development and Entrepreneurship (MSDE). Its objective is to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood. Under this scheme, training and assessment fees are completely paid by the Government.



And, who does not know about the Digital India programme today? It is the flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.



Notes



INTEXT QUESTIONS 18.1

1. Write down full form of:
 - (i) GST
 - (ii) SME
2. List down the key schemes launched by the Government of India for the welfare of entrepreneurs in India and to strengthen the economy of the country.

Activity 18.2

Browse the website of Ministry of Skill development and Entrepreneurship and list down the schemes that can facilitates your business. ([http://www. skill develop ment.gov.in/](http://www.skilldevelopment.gov.in/)).

1.
2.
3.

2. Social Factors

We all are part of a society, nothing can exist outside it. Recall the case of Dr. Rao cited previously. There were many incidences where society and people living in the village influenced the process of setting up of a cooperative society.



Notes

There are certain social factors affecting business which are relevant like culture, society and community. Let's try to understand these in detail:

- (i) **Culture:** It is an attitude, customs and beliefs of a group that distinguishes them from another. Culture is transmitted from one generation to another. There are a lot of cultural factors which affect business such as fashion trends, lifestyle, social media influence (blogging etc.), participation in cultural events, willingness to pay for tickets for movies, concerts etc.
- (ii) **Society:** It is the community of people living in a particular country or a region and have shared customs, laws, and organizations. Various social factors in the society that influence the business enterprise are—average disposable income level, wealth of people, economic inequalities, level of education, access to education, access to healthcare, health awareness in society (regarding smoking, drinking, drug use, safe driving etc.), buying habits and consumer preferences, average retirement age (for men and women), reputation of company in society, conflicts within society etc.
- (iii) **Community:** It is a particular area or place considered together with its inhabitants. For example, rural community.

So learners, hope you have understood the dynamics of social factors so that you can capitalize it in your favour.

3. Economic Factors

Before starting any enterprise, it is important to be aware of all the economic factors that might impact the business. Finances form the backbone of any business. Economic factors can be defined as factors affecting business including all the important trends in the economy that can help or hinder the company in achieving its objectives. Economic factors commonly affecting businesses include consumer behaviour and employment factors. Suppose the consumers have the purchasing power and are willing to spend money and buy new products, but there is not enough supply then the business gets affected.

But, do you know there are many other economic factors that affect the business. Let's uncover them for the enhanced understanding.

- (i) **Banking and Insurance:** As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. With the scheme of Digital India, all the banking and insurance activities can be done online. The banks are offering debit and credit cards to make cashless payments. The interest and premiums on the loans can be paid online with facilities like ECS where the amount is directly debited

from the account of the person (who has taken loan) on a fixed date of every month. Let us try to understand few terminologies frequently used in the banking and insurance sector:

- (a) **Savings Account:** It is the most basic type of account at a bank, which allows you to deposit money, keep the funds safe, and withdraw funds whenever needed. Savings accounts typically pay interest on your deposits, which helps you grow your money, but rates are relatively low.
 - (b) **Current Account:** These are opened by businessman to help conduct their business transactions smoothly. There is no restriction on the number of deposits and withdrawals till a minimum balance is maintained by the account holder.
 - (c) **Recurring Deposit Account:** It is a special account in which certain fixed amount can be deposited every month for a specified period. The rate of interest in recurring deposit account is higher than savings account. After maturity period the total deposited amount along with interest is paid to the account holder either in cash or by credit to the savings account in the same bank.
 - (d) **Fixed Deposit Account:** It refers to a **savings bank account** or a certificate of deposit in which a fixed rate of interest is paid and on the date of maturity a fixed amount is given by the bank to its customers. In this account, funds placed cannot be withdrawn prior to the maturity or only be withdrawn by paying a penalty. Fixed deposits are relatively safe investments.
 - (e) **Net Banking:** It is also known as Online banking, internet banking, E-banking or virtual banking, *Net banking* allows for customers of private and public banks to perform transactions online through a website interface. Few financial activities include online payments, fund transfer, checking of account balance and account statement, etc.
- (ii) **Investors:** An investor is any person who invests money with the expectation of financial gain. Investors utilize investments in order to grow their money which can be utilized in the future. Investors can invest in bonds, shares, mutual funds etc.
 - (iii) **Industry:** It refers to economic activity concerned with the processing of raw materials and manufacturing of goods, for example steel industry.
 - (iv) **Channel Partners:** A channel partner is a company that partners with a manufacturer or the producer to market and sell the products, services or technologies. This is usually done through a co-branding relationship.



Notes

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Notes

- (v) **Customer:** A customer is any person or organization who might have interest in buying or has bought, products or service from a company. There are three basic types of customers – current customers, past customers and potential customers. Each one of them influences the business in a different way.
- (vi) **Competitors:** A competitor is any company in the same industry which offers a similar product or service. For example, Coca Cola and Pepsi are competitors in the soft drinks industry.
- (vii) **Market:** A market is a place where two or more parties are involved in buying and selling of goods or services. The two parties involved are called the seller and the buyer.
- (viii) **Demand and Supply:** Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price. The relationship between price and quantity demanded is known as the demand relationship. Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain goods producers are willing to supply when receiving a certain price for it. The relation between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand.

4. Technological Factors

As we all know, technology changes rapidly, and consumers are hungry to adopt new technology. It involves understanding factors which are related to technological advancements and the rate at which technology gets obsolete. For –example, the operating system in mobile phones, automation and innovation.

How many of us could think that today people could stream their favourite movies online rather than going to a cinema hall or buy a DVD? Organizations that fail to keep up with technological advances leave opportunities for a smaller producer or new entrants to enter their market and eat away their market share. *This is what happened to mobile phone producers-Research in Motion (RIM, the makers of the BlackBerry) and Nokia, who were slow to embrace smartphone technologies. The result was that they both lost significant market share to Apple and Samsung.*

We need to understand few key terms related to technological environment as, it is very important for every entrepreneur to be familiar with them. They either develop new technologies or adopt the new technology when it is launched:

- (i) **Technology:** It is the way we apply scientific knowledge for practical purposes. It includes machines (like computers) but also techniques and processes (like the way we produce computer chips). It might seem like all technology is only electronic, but that's just most modern technology. In fact, a hammer and the wheel are two examples of early human technology. If it's still early in the morning, you might turn on the light first. Both the light bulbs and the electrical systems that power them are also result of technological development. Later, when you brush your teeth, the system that brings water to the sink, the bathroom's exhaust fan, the toothbrush and the toilet, for that matter, is technology.
- (ii) **Academic Research:** It is a detailed study of a subject, especially in order to discover (new) information or reach a (new) understanding. It plays a very important role in development of new technologies and updating the existing technology.
- (iii) **Mentors:** A mentor is a person who guides or gives help and advice to a less experienced and often a young person. They play a vital role, when a person is starting a new business enterprise. They advise, guide and coach the young entrepreneurs to set up their business successfully.
- (iv) **Business Incubation:** It is a unique and highly flexible combination of business development processes, infrastructure and people. It is designed to nurture new and small businesses by helping them to survive and grow through the difficult and weak early stages of business. Business incubation provide SMEs (Small and Medium Enterprises) and start-ups with the nurturing environment needed to develop and grow their businesses, offering everything from virtual support, state of the art laboratories and everything in between. They provide direct access to hands-on intensive business support and helps budding entrepreneurs network with field experts, other entrepreneurs and suppliers to really make their businesses grow.
- The goal of incubators is to increase the chance that a start-up will succeed, and shorten the time and reduce the cost of establishing and growing its business. Business incubators play a very important role in development of nation's wealth and employment by nurturing start-ups and SMEs.
- (v) **Technological Innovation System:** The concept of the innovation system stresses that the flow of technology and information among people, enterprises and institutions is key to an innovative process. It contains the interactions between them in order to turn an idea into a process, product or service in the market.

**Notes**



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5. Environmental Factors

Have you ever thought that why certain companies operate from specific geographic locations? Well, the answer to that is availability of raw material and labour in that region. For example, sugar factories are set up only at those places where sugarcane is easily available. It is always considered better to establish manufacturing units near the sources of input. It helps companies save cost and resources that would be utilized in transportation and storage. Therefore, the environment analysis includes the study of geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, topographical factors, etc. Business is greatly influenced by the nature of natural environment. Further, government's policies to maintain ecological balance, conservation of natural resources etc. put additional responsibility on the business sector.

Let us talk about the key elements that are related to the environment considered for setting up and operating business enterprise:

- (i) **Climate Change and Weather Conditions:** Climate change itself is a global problem requiring a global solution. Just as business operations are important, it is imperative to consider the impact of climate change on business operations, and potential impacts on sustainability. So how can we deal with climate change and weather conditions? What is their impact on business?

Extreme and unpredictable weather conditions, floods, droughts, rapid snowmelt and rising sea levels are among the major climate change challenges for business operations. Companies in developing nations are particularly in danger. Climate change will have a direct impact on agricultural and production operations. For example, a reduction in the supply of agricultural products and scarcity of water may lead to a reduced food supply, thus a threat to food security, a rapid global increase in commodity prices, social and political unrest, inflation and finally economic slowdown. With such a scenario, business will not be as usual.

- (ii) **Waste Management and Pollution:** Waste management is the collection, transport, processing, recycling or disposal and monitoring of waste materials. Effective waste management services can save your business money and benefit the environment at the same time. Waste management is very important for your business because of the following:

- (a) **Legal Requirements:** Businesses have a legal obligation to effectively manage and dispose of their waste. Failing to do so could result in

the business becoming liable for any damages caused through their negligence.

- (b) **The Environment:** A strong emphasis on recycling can reduce the adverse effects of waste on the environment. Consistent waste reduction and recycling will reduce all forms of pollution in the environment.
 - (c) **Human Health:** Serious medical conditions can result from the improper handling and disposal of waste. Bad waste management practices can result in land and air pollution and can cause respiratory problems and other health hazards. Hazardous chemicals in soil and water can harm plants and animals, and subsequently, if humans eat those plants and animals, there will be a negative impact on their health too.
- (iii) **Global Warming:** Global warming is the current increase in temperature of the earth's surface (both land and water) as well as its atmosphere. This rise in overall temperatures is due to the greenhouse effect created due to gases produced by humans. Activities such as deforestation and the burning of fossil fuels are the main sources of these emissions. Greenhouse gases trap heat in the earth's atmosphere to keep the planet warm enough to sustain life, this process is called the greenhouse effect. It is a natural process and without these gases, the earth would be too cold for humans, plants and other lives to sustain on planet earth. But increase in the amount of these gases then desired results in drastic climate shifts. Therefore, businesses today are in lot of pressure to maintain control on the emissions and wastemanagement. The transition to low-carbon economy is underway, encouraged by the 2015 Paris Agreement and the adoption of the Sustainable Development Goals. Many countries have already endorsed the Agreement, and there is sound hope that it will come into force shortly.

6. Legal Factors

Legal factors are the external factors which refer to how the law affects the way businesses operate and customers behave. Product transportation, profit margins and viability of certain markets are all examples of things which may be influenced by legal factors. The legal environment affects all companies.

**Notes**

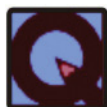


Notes

Factors	Examples
General Legal Framework	Basic ways of doing business, negligence
Criminal Law	Theft, insider dealing, bribery, deception
Company Law	Directors and their duties, reporting requirements
Employment Law	Dismissal, minimum wage, equal opportunities
Health and Safety Law	Fire precautions, safety procedures
Data Protection	Use of information about employees/ customers
Marketing and Sales	Laws to protect consumers
Environment	Pollution control, waste disposal
Tax Law	Corporation tax, income tax, sales tax

18.3 FACILITATORS AND INHIBITING FACTORS

Now that you have understood various factors that impact the external business environment, you must have observed that there are certain factors that facilitates and there are some that are inhibits. Factors that are positive and support business enterprise are facilitators and some factors are negative for operation of business enterprise. These are called inhibitors.



INTEXT QUESTIONS 18.2

With reference to the example cited above about Dr Rao, answer the following:

1. Circle the right answers from the given options.
 - (i) Using Bindu to implicate Dr Rao in a false case is an example of Legal/ Political/Economic factor which is a facilitator/ inhibitor.
 - (ii) The setting up of the cooperative is an example of Legal/Political/ Economic factor which is a facilitator/inhibitor.
 - (iii) Lack of education and awareness in the milk-selling villagers is a Social /Economic Inhibitor/Environmental factor which is a facilitator/ inhibitor.
2. Give two social factors that were considered inhibitors but actually facilitated the setting up of the cooperative in the above story.
 - (i)
 - (ii)

18.4 PREPARING THE PROPOSAL FOR YOUR START-UP

Now that you have understood the various factors that affect a business enterprise, let us try to list down these for your start-up.

Activity 18.4

Make a note of your business idea that you would like to start up as your business. Now, according to PESTEL Analysis, make a note of all the factors that are going to impact the operations of your start-up business.

Business Idea :

PESTEL Analysis

Political Factors	Economic Factors	Social Factors
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.
6.	6.	6.
Technological Factors	Environmental Factors	Legal Factors
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.
6.	6.	6.

Now observe a person who is successfully running his/her own start-up in your area. And compare your PESTEL analysis with him/her.

Keep this document on your portfolio for final assessment.

So by now you must have understood the meaning and importance of external factors that influence the operation of business enterprise. Even in day-to-day working of a business, these factors play a very important role in decision-making.



Notes

Be Your Own Boss

An entrepreneur has to keep a constant overview of the changing business environment as it is dynamic in nature. This helps an entrepreneur work according to market dynamics and maintain the leadership position in the market.



Notes



WHAT YOU HAVE LEARNT





TERMINAL QUESTIONS

1. What do you mean by external business environment? Analyse the external business environment with the help of PESTEL analysis.
2. What is the difference between facilitating and inhibiting factors?
3. Explain various government schemes that facilitate the budding entrepreneurs in India.



Notes



ANSWERS TO INTEXT QUESTIONS

18.1

1. (i) Goods and Services Tax
(ii) Small and Medium Enterprise
2. Make in India, Skill India and Digital India

18.2

1. (i) Political, Inhibitor
(ii) Legal, Facilitator
(iii) Social, Inhibitor
2. Poverty, illiteracy and caste bias.

Short Answer Type Question (Understanding Based – 4 Marks)

1. Explain in detail any four external factors that influence the operation of a business enterprise.

MODULE - IV

Be Your Own Boss



Notes

19

BE AN ETHICAL ENTREPRENEUR

In the previous lessons you have learnt about entrepreneurship. We will now learn another term 'Ethical Entrepreneurship'. Ethical Entrepreneurship, simply put, is knowing and doing what is legally, socially and morally right, under any circumstances faced by an entrepreneur while running an enterprise. Maitreyi, our successful entrepreneur who runs the popular 'Mithaas Confectionary' at Meerut, Uttar Pradesh is all set to move her business to a bigger city. Through her journey, we will explore ethical questions that an entrepreneur faces while establishing and expanding her enterprise. Let's follow Maitreyi in the course of her business venture.



OBJECTIVES

After learning ethics in business with Maitreyi, you will be able to

- discuss ways of making profit using ethical business practices;
- explore the legal, social, economic and environmental issues of running a responsible business;
- explain relevant accreditations/ratings/certifications/self-regulation norms and practices related to ethical/responsible business;
- explain that ethical business practices do not discriminate on the basis of disability, gender, religion, caste, class, ethnicity – violating the human rights; and
- examine the long-term effect of ethical business practices in building employee and customer satisfaction while fulfilling social responsibility.

Maitreyi and her manager Karan have been running the very successful confectionery shop Mithaas since long. Karan is seen rushing towards Maitreyi with the morning newspaper. He is delighted and overjoyed to tell her that Mithaas has been selected as the model confectionary of their city. It has been awarded with a medal of honour and Maitreyi and Karan have been selected to mentor upcoming entrepreneurs. As they read this news in the newspaper, Maitreyi and Karan walk down their memory lane.



Notes



Fig. 19.1: Mithaas Wins Award

19.1 ETHICAL BUSINESS PRACTICES

Ethical business practices encourage us to take the right course of action at all times. Keeping in mind the larger cause of all will keep us on the right path and help us choose actions which are supportive of the common good.



Fig. 19.2: Mithaas Confectionary wins Award



Notes

Maitreyi’s ‘Mithaas Confectionary’ is being scaled up and taken to a newly constructed smart city! She is all excited about her expanding business and hires a new manager, Karan, to help her. In the course of her business, she and her manager will face many questions like how to run an ethical business? Should a responsible business person think of the larger good or only about making profit? Do ethical business persons value dignity of labour, understand the importance of hard work and fair remuneration to all? Do they ensure that rights of others are not infringed upon and that all – customers, workers and society – are ensured satisfaction by their business venture?

As she does not want to compromise on ethics, she and her manager sit down with a writing pad. They enumerate the following business practices which may be important from the ethical point of view while establishing their business.

Maitreyi’s list of business dos and don’ts are as follows:

- Having and following a code of conduct
- Following standard accounting practices
- Filing tax returns and maintaining related documents
- Compliance with established norms in the business sector
- Ensuring that labour laws, environmental laws and related practices are followed
- Raising funds from legitimate sources and others

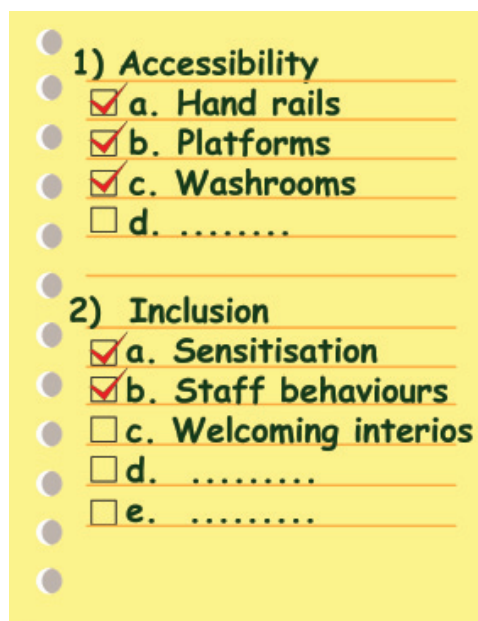


Fig. 19.3

Activity 19.1

Just as Maitreyi sat down with a list of business dos and don'ts, why don't you also write down a list of ethical business practices. List these you would follow in the course of your own business venture.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Great job done! As we go along the lesson we can continue to add to this list. This would help you when you decide to set up your own enterprise.



Notes

19.2 THE LESE REQUIREMENTS OF RUNNING A RESPONSIBLE BUSINESS

They found out that trade licenses are necessary for the following three kinds of businesses.

1. All eating establishments such as hotels, restaurants, canteens, food stalls, bakeries, sale of vegetables, meats, provision stores and others.
2. Trades using use motives such as manufacturing industries, factories, power looms, flour mills, cyber cafés and the like.
3. Offensive and dangerous trades such as barber shop, dhobi shop, timber wood, sale of fire wood, candle manufacturer, cracker manufacturer and others.

They found out that (i) that almost all the business and service activities fall under one of the three types of trade above. That means, for every legal business or service activity, one needs to obtain trade licenses. (ii) the licences may differ a little from state to state. So, knowledge about local laws is most important. (iii) the trade license is obtained under Shop and Establishment Act.

This Acts regulates the following rules and working conditions:

- Permissible working hours per day and per week along with fixed working hours
- The Act also specifies the rest intervals, opening and closing hours, holidays, overtime policies, closed days, spread over of work and so on.



Notes

- The Act also specifies the regulation for the employment of young people and women.
- The rules and regulations for paid leaves like maternity leave, sick leave and others.
- It also regulates the conditions for employment and termination.
- It states the requirement of maintaining registers and records and necessity of displaying notices.
- It also specifies the obligation and responsibility of employers and employee towards each other, to the enterprise and to the society.

You must be wondering what **LESE** is? It is nothing but an acronym for

L – Legal Requirements

E – Economic Requirements

S – Social Requirements

E – Environmental Requirements

1. **Legal Requirements:** The permits and licenses needed for construction, expansion and food safety, will all come under legal requirements.

Karan suggests to Maitreyi that they could easily avoid added expenses/taxes and effort by forgoing the paper work. Instead they could settle the matter when somebody questions them. Maitreyi instantly rejects Karan's ideas. She has a vision about her shop. She wants to be an **ethical citizen of the nation and build goodwill**. Goodwill for a business is the **established reputation** of a business regarded as a quantifiable asset and is calculated as part of its value when it is sold. Hence legal documents are a matter of priority for her.

2. **Economic Requirements:** The bank and tax matters figure prominently under this. Karan discusses with Maitreyi that it will be easier to seek money from a local moneylender, since unstructured financing could be easily sought without mortgage.

Maitreyi is not comfortable with this idea. She tells Karan that although it seems a fast-paced method it may not be a good idea in the long run. Instead, she asks Karan to visit a bank and **seek guidance about the loan facilities** available. She asks him to explore the various tax liabilities as she may have to seek for tax compliance. With the **new GST regime**, information regarding details of taxation was important.

This was indeed going to be a long journey with a lot of paper work thrown in. Karan's facial expression clearly indicates that Maitreyi was going too far for such a small business. However, he knew that if he wanted to work on this project, he will have to be totally legal and ethical. He took up this challenge and decided to make it work

- 3. Social Requirements:** Any benefits to the society come under social requirements.

Maitreyi had set up her confectionery shop from scratch. She knew the struggle. She not only wanted to earn a livelihood for herself but also **wanted to be responsible for the welfare of her staff and customers**. However, maximizing profit was on Karan's mind. According to him the main objective of doing business was to make money. He decides to take one more chance. He suggests that they hire cheapest labour and raw material to make their sweets. This would increase their profit margins.

Maitreyi is disturbed with Karan's suggestions. She explains that as a **socially responsible enterprise they must respect human rights**. Not only will she pay minimum wages with all other benefits, she is also considering providing clean toilets and other facilities to her employees. She also wants to ensure equal participation of women and persons with disability in her enterprise. She requests Karan to give only upright and ethical suggestions. She explains that she wants to **set up a business that is respected for its quality and ethics**. The quality parameters of her products must take first priority. As an ethical entrepreneur she has to respect the rights of the customers who should get what they are paying for.

- 4. Environmental Requirements:** Environmental issues include necessary permits and compliance

By now Karan has understood that working with Maitreyi means following business ethics. So this time he suggests that they follow **clean and green business practices**. Pollution is a man-made evil adversely affecting the quality of life for all. Keeping this in mind Karan ensures that Mithaas **did not adversely affect the environment in any way**. Therefore, fuel consumption, noise levels, hygiene levels, waste disposal and so on had to be systematic and carried out meticulously. He decides to seek various clearances from competent authorities for **cleanliness, food quality and waste management**.

**Notes**



Notes



INTEXT QUESTIONS 19.1

1. Read the following statements. Mention if these are ethical or unethical business practices. Justify your statement.

- (i) A sweet shop sells left over sweets the next day as wasting food is bad for environment.

- (ii) It is a policy of a beauty parlour to provide job opportunities to women as they are easy to handle and do not demand too many allowances.

- (iii) A courier company pledges to hire 18+ unemployed school dropouts as they settle for less salary.

- (iv) It is a good idea to open a factory in rural area as it provides employment to local people. Also, there is a lot of place to dispose waste and pollutants.

- (v) A guest house owner doesn't keep many records as he knows that as a businessman it is his duty to work hard and satisfy his customers. Maintaining so many registers and records is very time consuming.

19.3 MEETING BUSINESS STANDARDS

Now Karan has understood the importance of running a responsible business. He prepares a proposal about seeking the following:

1. Accreditations

Karan visits the local administration to seek relevant accreditation for Mithaas. He is informed about the Shop Establishment Act. He is supposed to seek relevant information and apply for registration accordingly.

Accreditations – official recognition to perform a particular activity.



Notes

The Shop Establishment Act allows for the opening and establishment of a shop is specific for each state. Karan logs on to <http://uplabour.gov.in/LC/DynamicPages/StateActs.aspx> to understand it. You are advised to visit the link of Shop Establishment Act of your state on the respective state government's website to understand.

2. Ratings

Karan then moves to agencies seeking ratings for Mithaas. Ratings help build positive image for any enterprise. Industry-relevant ratings are provided by competent authorities such as in popular magazines, through online surveys or through word of mouth. Ratings are also provided for the quality of food or for health and safety standards. Star ratings are given when all standards are duly met. You should also find agencies that give ratings in your area of work. You can surf the internet to get all this information.

Rating - A score or measurement of how good or popular something is.

3. Certifications

Karan wants to establish Mithaas as a trusted brand. To do this he also requires certifications. He applies for certification for standards in health and safety. Certifications about correct labour practices, food safety, quality control and others are given by competent authority FSSAI (Food Safety and Standards Authority of India).

Certification - The act of making something official.

You can learn more about it by surfing its website <http://www.fssai.gov.in/home>. For Mithaas, weight and measure registration is also very important. Each state has its own proforma that is available on the net. Along with Karan why don't you try to find the certificates required for your trade?

4. Self Regulation Norms and Practices

Karan finally comes to the final stage of his work. He is now supposed to apply his own understanding and establish norms and practices to run an ethical



Notes

business. He decides to establish utmost adherence to professionalism. He also decides to write down all dos and don'ts and keep them in plain sight so that workers and consumers alike can keep seeing them and adhere to them.

Norms - standards of proper or acceptable behaviour.

Karan starts planning about building Mithaas as a top-notch brand. He wants to expand this enterprise with its presence not only in all parts of the country but also globally. With this understanding he is planning to go back to seek Maitreyi's approval on all relevant matters and gets down to work on project proposals to file for needed papers.

Activity 19.2

Just as Karan has decided to make Mithaas the best enterprise, you also plan to make your trade into the best enterprising brand, well-known for its products and quality. Seek information as per the following format.

1. Type of product or service
2. The trade licence required
3. The relevant licences and certificates required and from where

You may surf the internet or speak to people working in the same trade. Add the information collected to your portfolio.

19.4 NON-DISCRIMINATORY BUSINESS PRACTICES

Maitreyi firmly believes that business practices should never discriminate on the basis of disability, gender, religion, caste, class, ethnicity and age that violate human rights. While growing up and cherishing the vision of her sweetshop, Maitreyi always dreamed about making her shop accessible to each and every individual who comes into it. She decides to write down her checklist of all non-discriminatory business practices that she will follow in her shop.

1. Accessibility

She decides to make her shop accessible to the differently abled. She plans to make **different counters for their special needs and sensitise her staff** so that their individual wishes could be addressed easily. She is mindful of the needs of the differently abled even while designing her building such as platforms and washrooms designed especially for their convenience and use. She is also on a lookout to employ young and dynamic individuals disregarding their disability, so that they too have a chance to explore their talents.

2. Gender Sensitivity

Maitreyi, being a young and dynamic woman entrepreneur herself wants a gender-balanced workforce. She decides to keep equal number of men and women in her shop and ensure that they get equal pay for equal work done. Gender sensitisation will also be a part of social training she decides to impart to her staff. She wants to make her enterprise sexual harassment free and provide a safe working environment. She has downloaded the Vishakha Guidelines from http://www.iitg.ac.in/iitgicc/docs/Vishaka_Guidelines.pdf promising to go through it. It will be a good idea if you can also access these guidelines and read them.

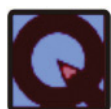
3. Zero Tolerance to Discrimination

Discriminating on the basis of religion, class and origin is a strict 'No' for her. She wants to only employ open-minded and honest individuals in her shop who would serve customers irrespective of their caste or religion. A sweetshop which appeals to all irrespective of their social standing—a little India! This idea filled Maitreyi with enthusiasm. Can she make sweets that were budget friendly yet exotic enough to be liked by all? Umm...an idea that she decides to discuss with Karan.

4. Respecting the Elderly

Maitreyi once experienced how her elderly grandmother was not treated sensitively while standing at a queue in a grocery store. She is very sensitive to the needs of the elderly. Maitreyi visualized her sweetshop to be a place that will always be comforting and welcoming to the elderly. She decides to train her staff to be respectful to the special needs of the elderly and serve them courteously. She decided to make a special counter to address their needs and handle them with enough patience and respect. She wonders if she could have some sitting arrangement for the elderly while they wait for their order to be packed.

Having prepared this checklist Maitreyi gets busy with her plans of recruiting the right people and getting Mithaas on ground. The process needed a lot of effort and would take some time before everything is set up.



INTEXT QUESTIONS 19.2

Find out what is the ethically right course of action in the given situation? Give reasons to support your answer.

1. Sulbha runs a beauty parlour. Ankit is her best hairdresser who brings in a lot of clients. One day Sulbha witnesses Ankit touching a female



Notes



Notes

client inappropriately. The client looked visibly upset. Help Sulbha make an ethically right decision.

2. Simarjeet runs a car repair workshop. He sees that his son who assists him is taking out original parts of cars and replacing them with cheap duplicates. Help Simarjeet take an ethically upright decision and teach his son lessons for life.
3. Anjbeen runs a boutique. She decides to cut rising costs for her boutique. Select the ethically appropriate option and cite your reason for choosing it.
 - A. She asks two of her female workers not to come to work from next day onwards.
 - B. She gives few false bills in the name of imaginary customers.
 - C. She works on the income and expenses and tries to innovate.
 - D. She purchases low quality raw material to make dresses.

19.5 THE LONG-TERM EFFECTS OF ETHICAL BUSINESS PRACTISES

Having relived the initial days of setting up Mithaas, both Maitreyi and Karan exchange smiles. They have come a long way...and so has Mithaas.

As Maitreyi and Karan read the details of their accomplishments mentioned in the morning newspaper in bold letters, they feel a rare sense of achievement. They know that running a business without a long-term perspective isn't going to yield the best results.



Fig. 19.4: Newspaper Article

The award given to them acknowledges that they indeed took careful time to think through all the relevant factors related to their business. They thought about the ethical facets that ensured that their brand is always known for its quality and adherence to standards. This has made them a popular household name. All people irrespective of differences love what Mithaas has to offer. They trust the quality and trust Maitreyi and Karan as the face of the brand.

The employees at Mithaas are also motivated and satisfied with their work environment. They enjoy the work that they are doing and keep experimenting to achieve ever more. They seek customer feedback and use them to come up with better and popular products. This leads to workplace becoming a challenging place that engages all in a positive way. Maitreyi's social sensitisation training has also benefitted the staff. It has made them become socially conscious and more aware of all issues that affect society. They feel empowered because they are able to bring a little difference.

All this work with careful planning and adherence to a standard of ethics has earned goodwill for Mithaas. Today the day has come when it is awarded for being the model shop of the town. Maitreyi and Karan are called to be mentors for new and upcoming entrepreneurs. With much to look forward to, Maitreyi and Karan fold the newspaper and get busy booking tickets to go for the award ceremony.



Notes



Fig. 19.5



WHAT YOU HAVE LEARNT

- In this Unit you have witnessed the growth of Maitreyi's confectionary Mithaas. Along with her and Karan you have witnessed the growth of brand Mithaas.

MODULE - IV

Be Your Own Boss



Notes

Be an Ethical Entrepreneur

- Entrepreneurship in and by itself lacks meaning unless the dimension of ethics is added to it. Whereby it becomes guided by an understanding of the common good.
- Various aspects such as Ethical Business Practices that include code of conduct, sound accounting practices, conforming to legislations, maintaining highest levels of professional integrity and others all contribute to being an ethical business person.
- Rather than simply following your own prescribed levels of integrity it is equally important to get your business accredited, certified and rated so that everyone knows that you follow established norms and business standards.
- Along with profit-making, it is equally important that your business is devoted to the betterment of society. To do this, adherence to the principles of non discrimination is a must. You must especially take care of the needs of the underprivileged and disadvantaged so that you don't forget being human along with expanding the business.
- As a result of all this hard work, you will see the long-term impact of your brand (your business) in becoming a role model for others.



TERMINAL QUESTIONS

1. Write a short note in about 60 words about the requirements of setting up a business for the following:
 - (i) Legal requirements
 - (ii) Environmental requirements
2. You are discussing your dream business idea with your family. Explain to them the importance of addressing the social requirements as an important part of ethical business practice.
3. Ramachandra is running a flourishing stationary shop. He doesn't get time to maintain proper cash registers. Explain to him the importance of the financial requirement with the oncoming GST regime.
4. List out two instances from your life when you witnessed socially insensitive behaviour in a business place and you stood up for the rights of the victim.
5. List three possible ethical challenges that you as an entrepreneur might face in running your own business. Explain how you would get over them.
6. Write a report for your local newspaper about Business Ethics encouraging Ethical Entrepreneurship.



ANSWERS TO INTEXT QUESTIONS

19.1

- (i) Unethical. Sweet shop has to ensure to serve its customers with fresh and good food only.
- (ii) Unethical. Policy is exploitative of labour and disregards dignity of working women.
- (iii) Unethical. Exploitative labour policies.
- (iv) Unethical. Disregards environmental issues.
- (v) Unethical. Record maintenance is a duty as well.

19.2

1. Sulbha evicts Ankit and bars him from re-entering her premises ever again. Zero tolerance to such malpractices. Ankit could forever harm the reputation of her women client-centric business. She even threatens to lodge a complaint against him if he doesn't change his ways.
2. Simarjeet punishes his son by making him give up all the money he made through criminal means. He tells him that he would be handed over to police if his malpractice was not checked in time. He also tells him how he (Simarjeet) had toiled hard to build his reputation and makes him(son) promise that he will amend his ways.
3. Anjbeen should ideally choose option C as it is the most ethical option to manage her enterprise in the times when business is slow.



Notes



KNOW YOUR TAX SYSTEM – GOODS AND SERVICES TAX

Whenever you go for shopping with your parents to the nearby mall to purchase a party dress, shoes etc. for your sister's wedding, the shopkeeper always provides you with a bill. Your parents pay the amount mentioned on the bill to the shopkeeper and take the delivery of the items purchased. Have you ever observed the bill?

While shopping, hours pass and you start starving for food. You, along with your parents go to a nearby restaurant to have lunch. The restaurant owner again provides you with a bill. Your father pays the bill and moves out of the restaurant. Have you ever tried to see the bill?

The bill contains the price of the dress that you purchased plus some extra amount, which is charged on the amount of the dress.

Have you ever thought why this extra amount is charged, who pays it and by whom it is collected. How is it calculated? This extra amount that is charged on the price of the dress is known as tax. In this lesson, you will learn about this tax in detail.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the concept of taxes – direct tax and indirect tax;
- explain the history of taxation system in India;
- know the Pre Goods and Services Tax (GST) Structure;

- acquaint yourself with GST Tax Structure;
- identify the commodities outside GST;
- explain features of GST;
- enumerate details of GST Council;
- list the advantages & limitations of GST;
- define new terminology; and
- explain the process of GST Registration.



Notes

20.1 CONCEPT OF TAXES

Your mother is a Manager in a bank. She provides her service to the bank in return of which she receives a salary worth Rs 50,000 every month. It means that her monthly earning is Rs 50,000. The Government charges some taxes on this income amount of RS 50,000. Your mother has to deposit the tax directly to the government, or it gets deducted from the salary even before it is finally paid to her. Your mother spends the remaining amount, on fruits, vegetables, clothes and other needs of the family. Whenever your parents go to the shopkeeper to purchase fruits, vegetables or clothes, the shopkeeper also charges some tax on the price of the items purchased. Hence, your parents pay taxes on their income as well as on their expenditure.

Taxes are the mandatory amount imposed by the Government, both on the earnings; and the expenditure undertaken by an individual.

Tax is the income of the government. The money your parents pay to the Government in the form of taxes goes to many places such as:

- paying the salaries to the government workers,
- to ensure that roads on which we all travel are made safe and maintained well,
- to provide education as well as health facilities to the public,
- to pay off interest on funds borrowed from foreign countries, and
- providing security to public at the borders and in social services.

Still, you must be confused between the taxes paid on income and taxes paid on expenditure done to purchase the goods. Let's understand it.

When your father gets salary or if your father is a businessman, he earns profit, it is considered as income. He is liable to pay taxes on his income directly to the Government. This is known as **Direct Tax**. On the other hand, when your parents go for shopping, they pay taxes on their expenditure to the shopkeeper



Notes

from where they purchase the items. Now, the shopkeeper who collects taxes from us deposits the taxes to the Government. The taxes we pay are going to the Government, but indirectly through the shopkeeper. These are known as **Indirect Taxes**.

Therefore, taxes are divided into two parts:

- Direct Tax
- Indirect Tax

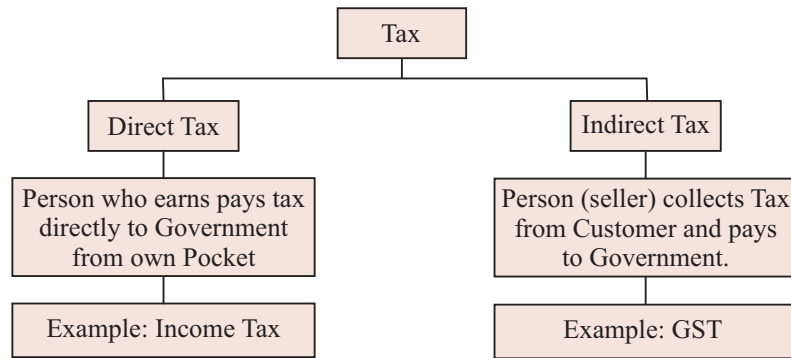


Fig. 20.1: Types of Tax

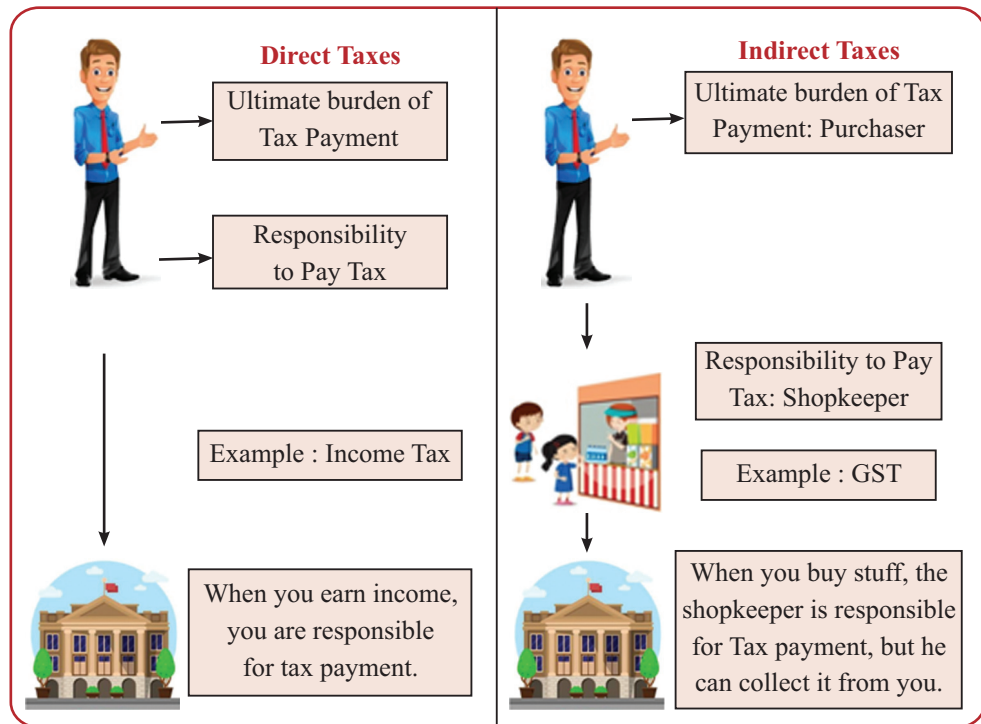


Fig. 20.2: Direct Tax and Indirect Tax

Direct Tax

Tax which is paid directly to the government is known as direct tax. It cannot be transferred to another person. Under this system, the government collects the tax from the person on whom tax is imposed. Under direct tax system, the taxpayer and tax bearer is the same person.

Indirect Tax

A tax, which is collected by an intermediary from the person who bears the burden of the tax and then pays it to the government, is known as indirect tax. It can be transferred to another person. Example: GST. Indirect taxes are collected by supplier of goods and services and are paid by the consumer of goods and services. Thus, the burden of tax is shifted to the final consumer.

Now, it must be clear that whenever you purchase goods from the market or eat food in a restaurant, you pay indirect tax which is known as GST.



Notes



INTEXT QUESTIONS 20.1

1. Read the following statements. Mention if these are direct tax or indirect tax.
 - (i) You purchased sweets for Rs 500 from the sweet shop. When you look at the bill it shows the cost of sweets to be Rs 450 and Rs 50 as tax.
.....
.....
 - (ii) You purchased a flight ticket from Delhi to Banaras. The base fare is Rs 1200 and Rs 200 are charged extra as taxes. The total charges you have to pay are Rs 1400.
.....
.....
 - (iii) You are a pilot and get Rs 50,000 p.m. as salary. You pay Rs 5,000 to the Government as income tax.
.....
.....

20.2 HISTORY OF TAXATION SYSTEM IN INDIA

It must be clear by now that taxation system has not started in the modern era. It started way back in ancient Egypt around 3000 BC -2000BC. In Biblical times,

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Notes

Artisans gave one fifth of their crops as taxes and kept four fifths to purchase seeds for field and to feed their family. In the prehistoric period, when traders wished to sell their goods to other kingdoms, they had to contribute certain offerings as gifts to the king for permitting them to sell their goods in that kingdom. In the time of Kautiliya, ‘**Shulka**’ referred as taxes was collected at the city gates whenever goods moved out or came into the city. Later on, during the British period, the taxes were imposed on the goods, which were imported into the country.

Fig. 20.3: History of Taxation System in India

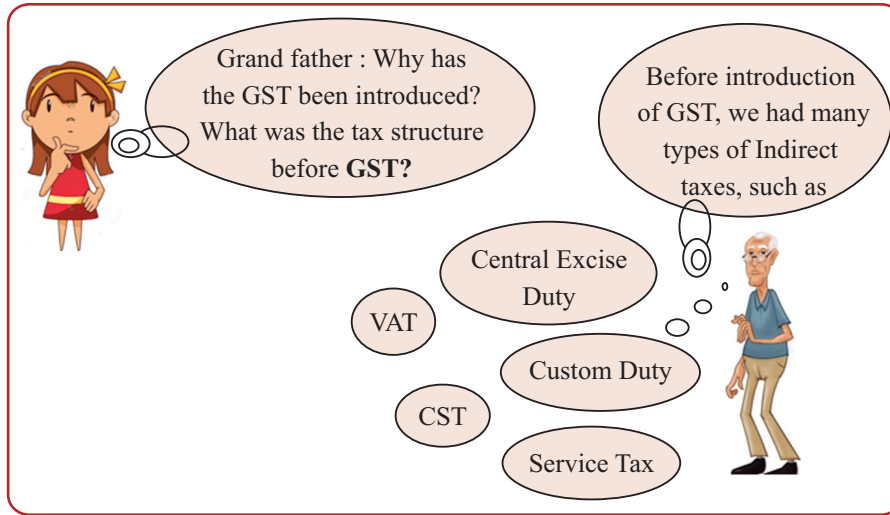


INTEXT QUESTIONS 20.2

Read the following questions and answer them in one word.

1. In which country did the taxation system start?
.....
2. How much share of the crop was given as taxes?
.....
3. On which goods were taxes were imposed during British Era?
.....

20.3 Pre GST-Tax Structure



Notes

Fig. 20.4: Pre GST-Tax Structure

Let us know about all the different types of Indirect Taxes which existed before GST in detail:

Before introduction of GST, indirect taxes were divided into many types. At each stage of production or selling of goods and services, different types of taxes were paid to the Government.

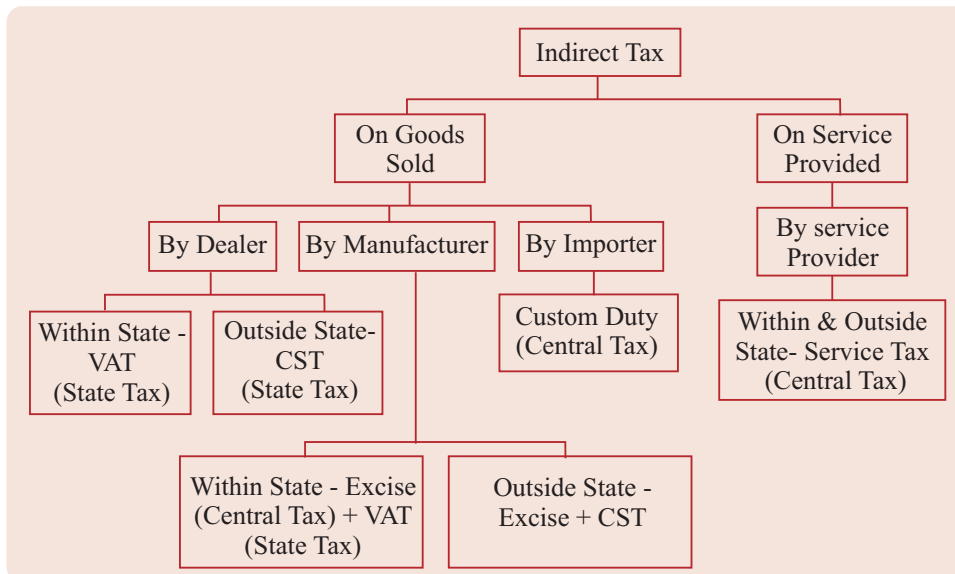


Fig. 20.5: Indirect Taxes before Introduction of GST

**Notes****1. Central Excise Duty**

If we talk about goods, we either produce them in fields or we manufacture them in factories. Goods are produced and manufactured with the intention to be consumed within India. The Government imposed Excise Duty on manufacturers and producers of such goods.

New name given to Excise Duty Tax is CENVAT (Central Value Added Tax).

2. Custom Duty

If we purchase goods from foreign countries to sell them in India or sell goods to foreign countries, the Government imposes Custom Duty. A duty imposed on imported goods is known as import duty, whereas duty imposed on exported goods is known as export duty.

Government imposes import duty due to following reason:

- raise revenue
- protect the domestic industry from foreign competitors

3. Central Sales Tax (CST)

When the seller was in one state and the buyer was in another state, the government imposed Central Sales Tax (CST). Therefore, CST was levied on interstate trade. It was collected by the state from where the good was being sold.

4. Value Added Tax (VAT)

Value Added Tax is imposed on the intrastate sale i.e. when the sale takes place within the state. Under such a system both the buyer and the seller of the goods belong to the same state.

5. Service Tax

When the service provider provides the service to the consumer, Service Tax is imposed. For example: service tax is charged on telephone bills, banking services, event management, consultancy service, advertising, beauty parlour, health center, architect, restaurants, short term accommodation by hotels etc.

Service tax is applicable to the whole of India except Jammu & Kashmir. It is payable only when the value of services provided in a financial year is more than Rs 10 lakh.

Example: Maya, living in Haryana purchased her dress from a showroom in Haryana for Rs 10,000. She was shocked to see that the prices were so high.



Notes

She decided to enquire about the details for the cost of the dress. She found that the cloth for the dress was imported from Malaysia on which import duty had to be paid. The manufacturer of dress who is in Delhi had to pay Excise Duty Tax because he is producing and selling domestically in India and Central Sales Tax while selling it to the wholesaler in Haryana. The wholesaler had to pay Value Added Tax (VAT) while selling it to the retailer within the state. The retailer finally sold the dress to the consumer and charged VAT from the consumer. Tax was being added at every stage, which made the dress expensive.

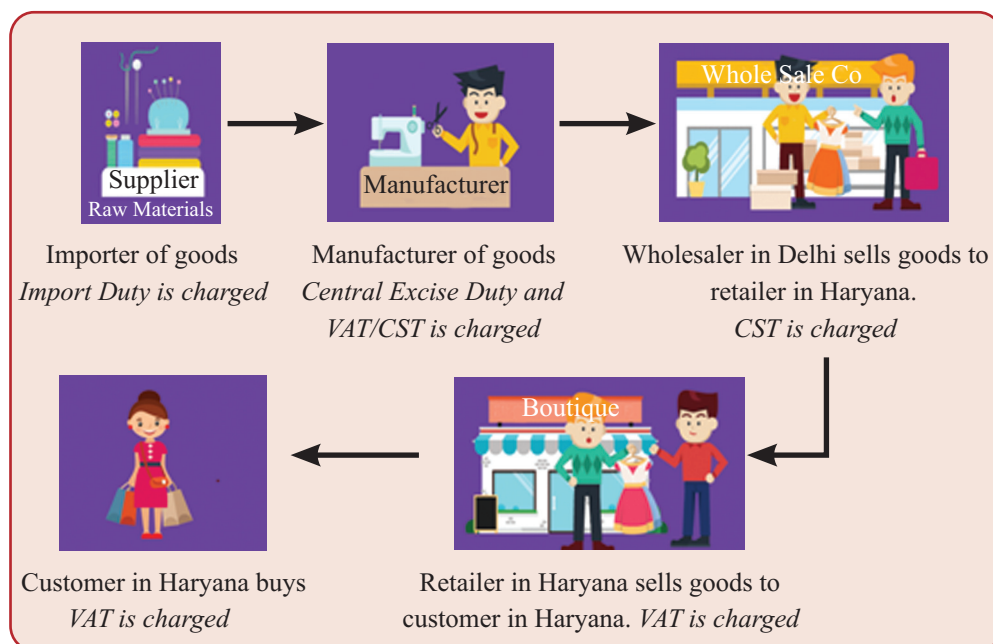
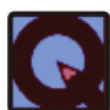


Fig. 20.6: Example of Indirect Tax



INTEXT QUESTIONS 20.3

Read the following passage and answer the questions that follow:

Sohan is a manufacturer of garments. He has his business in Lucknow. He imports cloth (raw material) from China. He sells the garments to the wholesalers throughout India. He sells garments to five whole sellers in India. His first whole seller has his business in Kanpur, second in Jodhpur, third in Patna, fourth in Agra and fifth in Kerala.

What all taxes were applicable in the pre-GST era?

Choose any one- Import duty/CST/VAT

1. Sohan pays Tax while purchasing raw material from China.

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Notes

2. Sohan charges tax while selling the garments to the whole seller in Kanpur.
3. Sohan charges tax while selling the garments to the whole seller in Jodhpur.
4. Sohan charges tax while selling the garments to the whole seller in Patna.
5. Sohan charges tax while selling the garments to the whole seller in Agra.
6. Sohan charges tax while selling the garments to the whole seller in Kerala.

20.4 POST GST TAX STRUCTURE

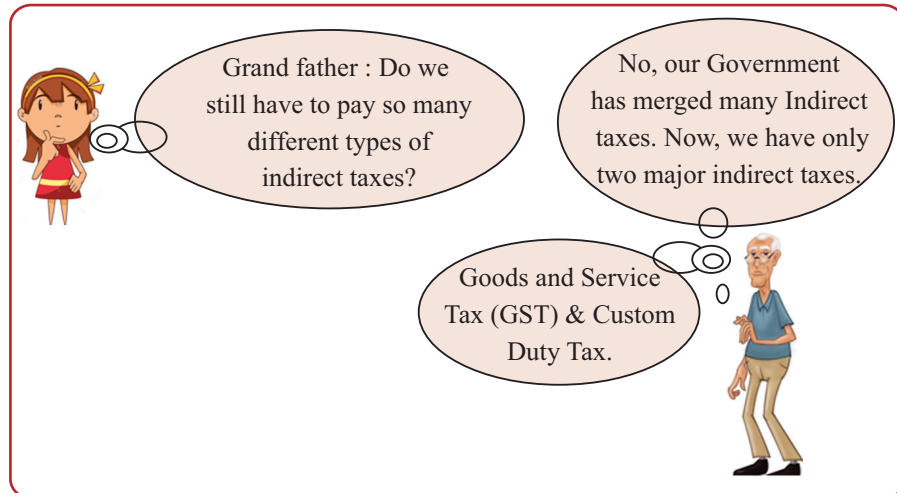


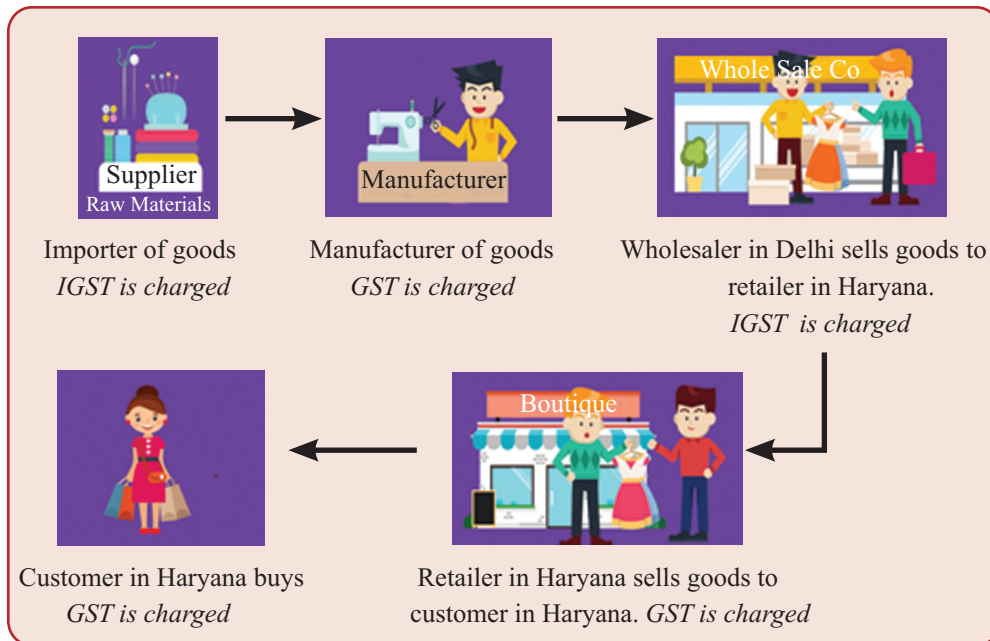
Fig. 20.7: Taxes after introduction of GST

Let me teach you about GST in detail.

Goods and Services Tax (GST)

As we have studied above, till June 30th 2017, our country had many indirect taxes such as custom duty, excise duty, VAT, CST, service tax etc. Since 1st July 2017, our Government has merged many indirect taxes into one tax named as Goods & service tax (GST).

Goods and Service Tax (GST) has been implemented in India since 1st July 2017. It is a single indirect tax with an aim to make the nation a unified common market. It is levied by the government on goods and services provided by the supplier to the consumer. It is applicable in the whole of India (state of Jammu & Kashmir has also been included from 8th July 2017).



Notes



Fig. 20.8: Implications of GST

GST has subsumed many indirect taxes which were imposed by both, the Central Government and the State Government.

The consolidation of several different taxes into one will help the country move forward by eliminating the cascading of taxes. The reform is also set to pave the way for a common national market, thereby making Indian commodities and services increasingly competitive in both local as well as global markets.

In our new tax system, where we have only one common tax (GST), it is also divided into two parts, Central Government GST and State Government GST. Therefore, GST is based on dual GST model. It means that both the Central Government as well as the State Government will levy tax simultaneously on the common base amount.

GST is sub divided into four different types:

- **SGST** – State GST, collected by the State Government,
- **CGST** – Central GST, collected by the Central Government,
- **IGST** – Integrated GST, collected by the Central Government, and
- **UTGST** – Union territory GST, collected by the Union Territory Government



Notes

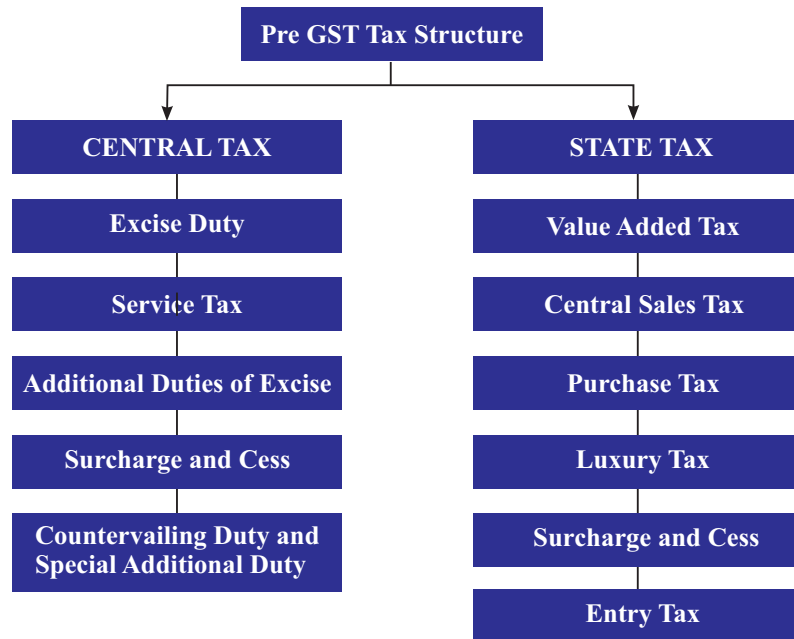


Fig. 20.9: Pre GST-Tax Structure



Fig. 20.10: Post GST Tax Structure

GST is a destination-based tax, which means that tax is collected by the State where goods are consumed. For example:

1. Mr. A (seller) in Delhi sells goods to Mr. B (Buyer) in Kanpur. When buyer and seller belong to two different states, IGST will be levied. IGST will be deposited to Central Government. Now, Central Government will deposit 50% of the tax amount to the State Government. Here, in our case, State Government is Uttar Pradesh(State to which the buyer belongs).
2. Mr. A (seller) in Jaipur sells goods to Mr. B (Buyer) in Jaisalmer. SGST and CGST will be levied. SGST will be collected by Rajasthan Government as buyer is in Rajasthan and CGST by Central Government. In this case, both Jaipur and Jaisalmer are cities in Rajasthan.
3. Mr. A (seller) in Malaysia sells goods to Mr. B (Buyer) in Delhi. When a buyer in India purchases the goods from a seller in a foreign country then IGST will be levied and it will be collected by the Central Government.

It can be summarized as below:

In most cases, the tax structure under the new regime will be as follows:

Transaction	Post GST era	Pre GST era	Tax Implication
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will be only one type of tax (central) in case of inter state sales. The Center will then share the IGST revenue based on the destination of goods



Notes



INTEXT QUESTIONS 20.4

Read the following passage and answer the questions that follow:

Sohan is a manufacturer of garments. He has his business in Lucknow. He imports cloth (raw material) from China. He sells the garments to the whole sellers throughout India. He sells garments to five whole sellers in India. The first whole seller has business in Kanpur, second in Jodhpur, third in Patna, fourth in Agra and fifth in Kerala.

What all taxes are applicable in the post GST era? Fill in the blanks choosing the right option from brackets.

- Sohan pays Tax while purchasing raw material from China.
(CGST/SGST/IGST/UTGST)
- Sohan charges tax while selling the garments to the whole seller in Kanpur.
(CGST/SGST/IGST/UTGST)
- Sohan charges tax while selling the garments to the whole seller in Jodhpur.
(CGST/SGST/IGST/UTGST)
- Sohan charges tax while selling the garments to the whole seller in Patna.
(CGST/SGST/IGST/UTGST)
- Sohan charges tax while selling the garments to the whole seller in Agra.
(CGST/SGST/IGST/UTGST)
- Sohan charges tax while selling the garments to the whole seller in Kerala.
(CGST/SGST/IGST/UTGST)

20.5 COMMODITIES OUTSIDE GST

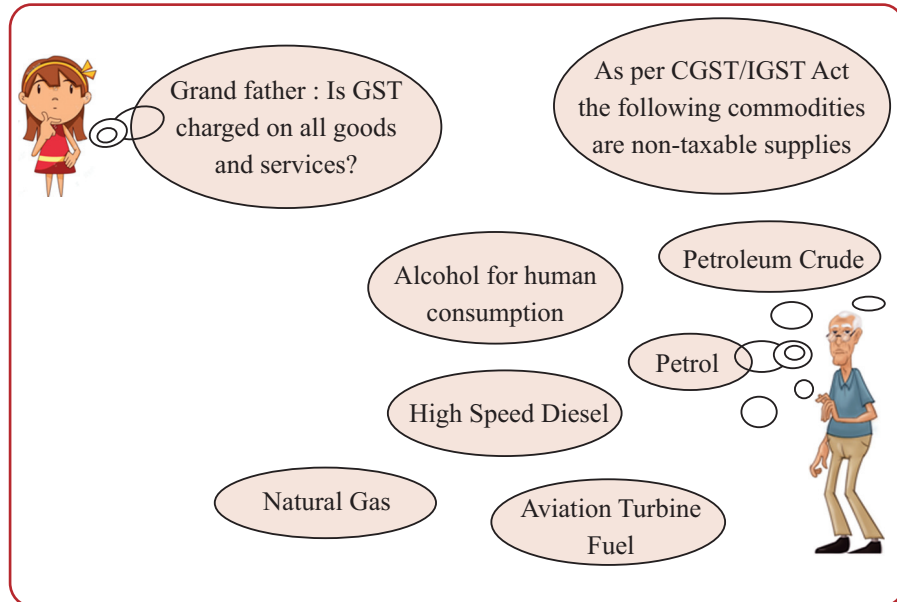


Fig. 20.11: Commodities Outside GST

Till now it must have been clear that there are certain commodities which are outside the scope of GST. Those commodities are as follows:

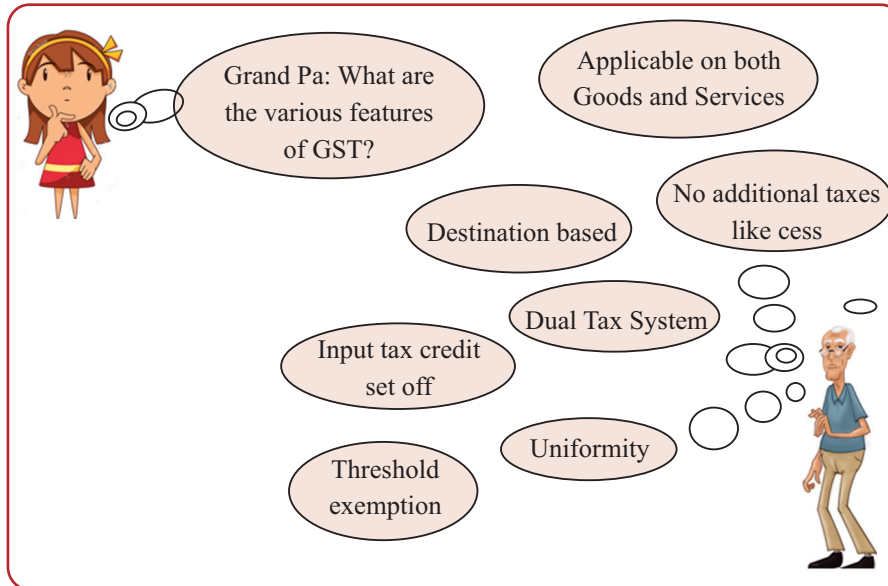
1. **Petroleum Products:** State Excise Duty will be applicable on all petroleum products such as petroleum crude, high speed diesel, motor sprit or petrol, natural gas and aviation turbine fuel.
2. **Alcoholic liquor:** State Excise Duty will be applicable.
3. **Tobacco products:** GST is payable on Tobacco Products under Reverse Charge basis. State Excise Duty, GST and GST cess will be applicable.
4. **Electricity:** Electricity is an exempt supply as notified by GST Council. State Excise Duty will be applicable.

It means that if one purchases any petroleum product, alcoholic liquor, tobacco products or even Electricity, GST will not be applicable. The old indirect tax i.e. Excise Duty will be applicable. In future, some of these may come within the ambit of GST.

Activity

Go to the petrol pump along with your father whenever he goes to get his car or scooter filled. Collect the receipt from the petrol pump. Also collect the electricity bill from your parents. Now, check if GST has been charged or not. Also check the tax rate, which is applicable.

20.6 FEATURES OF GST



Notes



Fig. 20.12: Features of GST

Features of GST are broadly classified as under:

1. **Dual Tax System:** GST has two components: one is named as Central GST, which is levied by the Central Government, and the other is State GST, which is levied by the concerned state. Hence, GST will be charged only as CGST and SGST/UTGST/IGST.
2. **Applicability of GST:** Goods & services tax (Central GST and State GST) would be levied on all dealings of goods and services in the country, except those that are exempted or are outside the purview of GST or dealings that are below the threshold limit as prescribed by law.
3. **Destination Based Tax System:** GST is based on the destination of consumption at the time of the sale of goods & services to the final consumer and not at various points. It implies that SGST is applicable on the state in which the final consumer of goods and services resides.
4. **Common Indirect Tax:** With the introduction of GST, all the indirect taxes such as VAT, CST, service tax, excise tax etc. are replaced by only one tax i.e. GST.
5. **No Hidden Rate:** GST is based on the direct rate system. No additional taxes such as cess etc. would be applicable.
6. **Goods and Services Tax Network (GSTN):** Central and State governments have jointly set a not for profit/Non-Government company named as Goods and Services Tax Network(GSTN) whose job is to share IT infrastructure



Notes

and services among the Central and State Government, stakeholders and also the tax payers.

7. **Reduce Complexity:** GST will be a uniform indirect tax levied throughout the country. Due to this single indirect tax, there will be less complexity and people can adopt it very easily.
8. **Input Tax Credit Set Off:** GST is imposed on the value added at each stage of production. In other words, we can say that GST is imposed on the amount which is added in the purchase price to arrive at sales price at every stage involved starting from manufacturing till the sale to end consumer. Let's first understand what input tax and output tax are:

Input Tax

The tax which is **paid** by manufacturer/dealer on the goods purchased in the course of the business is known as input tax. The goods so purchased can be raw material which is to be converted into finished goods or can be capital goods such as plant, machinery etc. which helps in business to produce/manufacture the finished product. Goods can also be the finished goods which are purchased for resale or can be any other inputs.

Output Tax

The tax which is **collected** by the manufacturer/dealer from their customer on sale of goods in the course of the business is known as output tax. This tax collected is deposited to the government.

Input Tax Credit (ITC)

When the tax paid on purchase of input is adjusted against the tax paid on the sale of output is known as Input Tax Credit set off. It is available only to the registered dealer.

9. **Goods and Services Tax Council:** It is an apex constitutional body. GST Council is the main decision-making body that has been formed to finalize the design of GST such as important recommendations on tax rates, tax exemption list, threshold limits etc.
10. **Threshold Exemption:** Taxpayers whose annual turnover is less than 20 lakhs (calculated on all India basis) would be exempt from this tax. For Eleven Special Category States, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, Sikkim, Himachal Pradesh, Uttarakhand and Jammu & Kashmir exemption limit is reduced to 10 lakhs.
11. **Uniformity:** A uniform procedure will be followed for collection, appeal, refund & registration of both Central GST and State GST as prescribed in the legislation.
12. **Rates of GST:** Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%.

GST Rates of all items and goods in India				
0%	5%	12%	18%	28%
Almost 50% of the consumer price basket including food grains	Mass consumption items like spices and mustard oil	All processed foods	Soaps, oil, toothpaste, refrigerator, smart phones, hotel room tariff etc.	Luxury cars, pan masala, tobacco, aerated drinks etc.



Notes



INTEXT QUESTIONS 20.6

Read the following statements and say whether they are true or false:

1. Kriti went to the market to purchase sweets. The shopkeeper charged Rs 500 as GST. Out of this Rs 500, Rs 250 will go to Central Government and rest Rs 250 will go to the State Government
2. Mohan, a trader of garments, has two shops. One is in Rajasthan and another in Maharashtra. Both the shops earn revenue of Rs 10 Lakhs each. Since, one shop is earning a revenue of Rs 10 lakhs, therefore he is not liable to pay GST
3. Sonam (customer) from Kerala, purchased a dress from Sachin (seller) from Delhi for Rs 5,000. She paid GST @ 5% on Rs 5000. The complete amount of GST will be collected by Kerala Government

20.7 GST COUNCIL

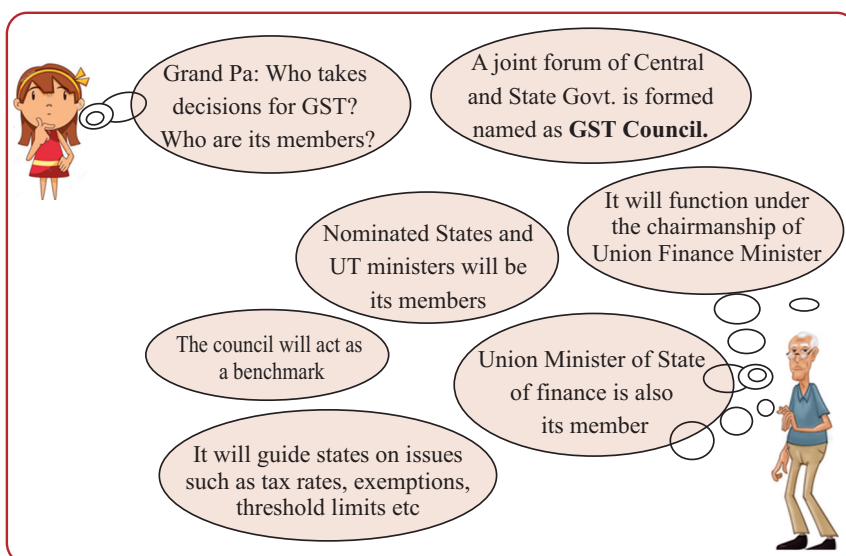


Fig. 20.13: GST Council

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**Notes**

As per article 279 A of the amended constitution, a joint forum of the Centre and the States is made. This joint forum is known as Goods & Services Tax Council (GST Council). It is an apex constitutional body. It was constituted by the President within 60 days of the commencement of Article 279A.

GST Council is the main decision-making body that has been formed to finalize the design of GST.

20.7.1 Members of GST Council

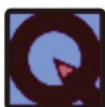
The governing body of the GST Council consists of the following members:

- (a) the Union Finance Minister is the Chairperson;
- (b) the Union Minister of State in charge of Revenue or Finance is a Member;
- (c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are Members.

20.7.2 Functions/Role of GST Council

The GST Council shall make recommendations to the Union and the States on important issues related to GST, such as:

- (a) taxes, cesses, and surcharges levied by the Centre, States and local bodies which may be subsumed in the GST;
- (b) goods and services which may be subjected to, or exempted from GST;
- (c) Model GST laws, principles of levy, apportionment of IGST and principles that govern the place of supply;
- (d) threshold limit of turnover below which goods and services may be exempted from GST;
- (e) rates including floor rates with bands of GST;
- (f) special rates to raise additional resources during any natural calamity;
- (g) special provisions with respect to Arunachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
- (h) any other matter related to Goods & Service Tax, as council may decide.



INTEXT QUESTIONS 20.7

Read the following questions and answer the following:

1. Who is the chairman of GST Council?

2. Sarika operates her business from Agra. She has to get herself registered if her business crosses the threshold limit of Rs 20 lakhs. Her friend Mahima who has her business in Haridwar also wants to know the threshold limit in her State. Help Mahima to find the threshold limit decided by GST Council in Haridwar?
3. Prepare the list of items which are exempted from GST by GST Council.



Notes

20.8 IMPORTANCE AND LIMITATION OF GST

Grand Pa: What is the importance of GST and what are its limitations?

Importance of GST : 1. To create an integrated national market. 2. To remove double taxation system. 3. To eliminate multiple taxations. 4. To make Indian product more competitive in the foreign market. 5. To increase government revenue by bringing all the goods and services under tax.

Limitations of GST are: 1. Perceived as a complex system with set offs and input tax credit. 2. Requirement of registration in many states. 3. Business software need to be changed. 4. Some items are not under GST and there are multiple slabs in the GST system.

Fig. 20.14: Importance and Limitations of GST

20.8.1 Importance of GST

The entire country is in a win-win situation with the introduction of GST. The consumers, Government and the stakeholders of the industry are being benefited with GST. The cost of goods and services is lower, goods and services have become competitive and it will also boost the Indian Economy. Some of the benefits of GST are mentioned below:

1. The main aim of GST is to make entire India a single common market having only one common tax rate and removing different economic barriers.
2. Almost all the existing indirect taxes such as VAT, CST, Excise Duty, Entertainment tax, luxury taxes etc. of both Central and State Government will be subsumed into a single tax i.e. GST. This tax will be uniformly applicable on all goods and services throughout India. Eventually, GST will

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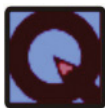
**Notes**

also remove double taxation from the system helping the consumers in paying less tax than before.

3. Initiative of GST will help in reducing the cost of production in the domestic market, which will result in making the product price competitive around the globe. With the help of GST, India's ranking in "Ease of Doing Business" will also improve. It will create more market for the Indian products in the international market which will increase the exports and focus towards growth of Indian economy.
4. GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.
5. With the single tax there will be more transparency in the system, which will decrease corruption.
6. Movement of goods can easily be traced through e-way bill which shall facilitate to control tax evasion.

20.8.2 Perceived Limitations of GST

1. It is perceived to be a complex tax system with set offs and input tax credits.
2. As per GST, the seller of goods and services is obligated to register in all the states in which the seller is doing business. Due to this, complexity on the part of the seller increases.
3. Accounting software being used by businesses for filling tax returns may need to be replaced or modified. This will increase the cost and also the training of employees will be required.
4. There are some items not under GST and there are multiple slabs in the GST system.



INTEXT QUESTION 20.8

Answer the following questions by filling in the blanks by choosing the right option from the brackets.

1. Mr. A is a manufacturer and he is liable to pay excise duty and CST in pre-GST era. In post GST era he is liable to pay
(IGST/CGST/SGST)
2. Mr. B is a chartered accountant in Delhi. In pre-GST era, he used to pay service tax; in post GST era service tax has been taken over by GST. Now, service tax comes under
(Central Government/State Government)
3. Mr. C is the owner of a restaurant in Pune. In pre-GST era he used to charge service tax and VAT from the customer. In post GST era he will charge
(IGST/CGST and SGST)

20.9 NEW TERMS OF GST

Input Tax Credit

Input tax credit means at the time of paying tax on output, the tax payer can reduce the tax he has already paid at the time of purchase of inputs and pay the balance amount to the Government.

For example: When a manufacturer manufactures a product, he needs raw material and labour to manufacture it. When he purchases raw material, he pays taxes and when he uses service of the labour, he pays service tax. On selling, he collects taxes from the customer. It means that he pays taxes on input (purchase) and collects taxes on output(sale). He then adjusts the taxes paid at the time of purchase of input with the amount of taxes collected at the time of sale of output and the balance amount (tax on output – tax on input) has to be paid to the government. This mechanism is called as utilization of input tax credit.

Let's understand it with the help of an example:

Sohan of Maharashtra sells garments to Mohan of Maharashtra for Rs 1,00,000. The prevailing rate of GST is 5%. Mohan pays GST of Rs 5,000 to Sohan. Mohan sells the garments purchased from Sohan to Kavita of Maharashtra after making value addition of Rs 40,000 to his cost of Rs 1, 00,000 (while doing value addition tax paid is not added in the purchase price). Thus, Kavita purchased garments from Mohan for Rs 1,40,000 plus GST. Kavita paid GST of Rs 7,000 (GST rate to be 5%) to Mohan. Total amount charged to Kavita will be 1,47,000. Now, Mohan is liable to deposit the amount of GST charged from Kavita to the Government. Mohan will deposit Rs 2,000 to the Government as he has already given Rs 5,000 to Sohan while purchasing the garments.



Notes

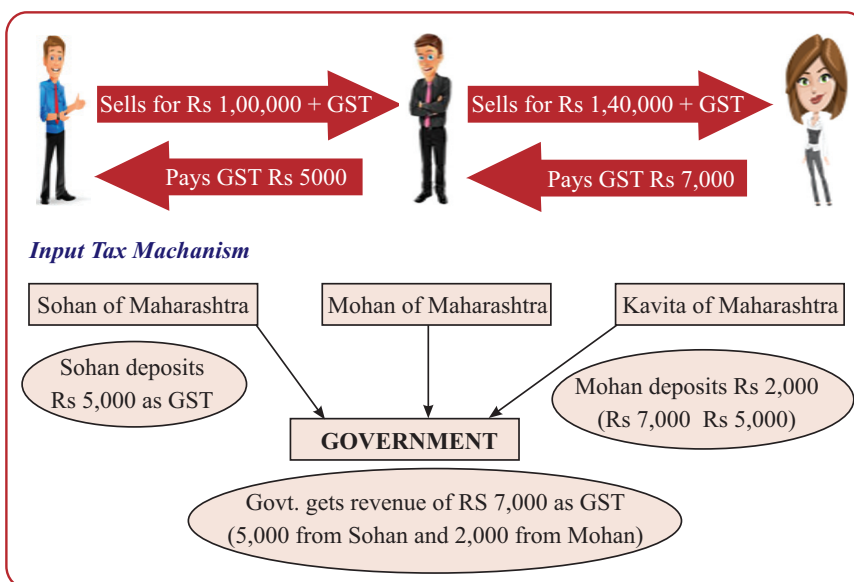


Fig. 20.15: Input Tax Credit

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Notes

To avoid double taxation effect, input tax credit is available. It is based on the concept of VAT. Output supplier of goods and services can avail credit of GST charged by input supplier of goods and services.

Benefit of the input tax credit is available only to the registered dealers. The Registered Person shall be entitled to Input Tax Credit in respect of any supply of goods or services or both to him on fulfilling the following conditions:

- (i) He is in possession of a Tax invoice.
- (ii) He has received the goods or services or both.
- (iii) Tax charged in respect of such supply has actually been paid to the Government.
- (iv) He has furnished the return under section 39.

Note: While doing the value addition, GST paid is not to be included.

GST is Destination Based Tax

As GST is based on dual tax system, which means that GST will be collected by both Central Government as well as State Government. Tax can either be collected by the state which manufactures/produces the goods and services or by the state where the goods & services are consumed by the customer. When the tax is collected by the state in which goods & services are consumed, it is known as destination-based tax.

Let’s understand with the help of an example:

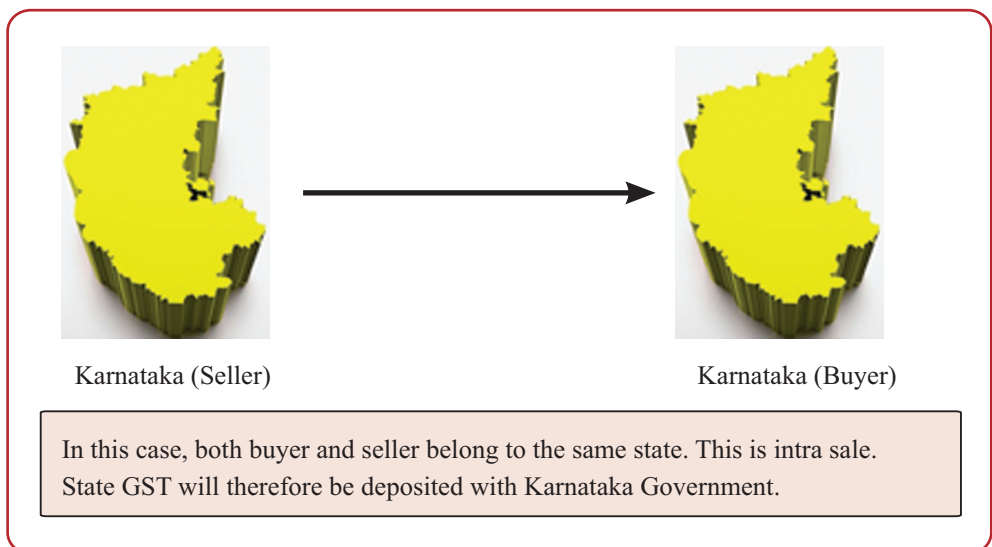


Fig. 20.16: Intra State Sale



Notes

Rajesh of Bengaluru sells and delivers cloth to Dharmesh of Mysore having taxable value of Rs 2,00,000. Rajesh has not purchased cloth from any other seller. So, input tax credit is not there. This is an intra state sale as both seller and purchaser are from the same state. If GST is charged @ 5%, total amount of GST charged will be Rs 10,000. Out of this Rs 5,000 will be deposited to the Central Government as CGST and Rs 5,000 will be deposited to Karnataka Government as SGST. Total amount charged from Dharmesh will be Rs 2,10,000. Rajesh will deposit the amount charged as GST to the respective governments.

Dharmesh, in the above case, sells and delivers the same cloth after making value addition of Rs 50,000 to Samarth of Trivandrum. This will now become interstate sale as two states are involved. Seller (Dharmesh) is in Karnataka and buyer (Samarth) is in Kerala. GST will be shown as follows in the tax invoice (bill) issued by Dharmesh.

Taxable value of Supply (2, 00,000 + 50,000) = Rs 2, 50,000

(It should be noted the GST paid by Dharmesh will not be included while calculating taxable value of supply)

Add GST:

IGST @ 5% of Rs 2, 50,000 = Rs 12,500

Total amount charged from Samarth = Rs 2,62,500

In this case Dharmesh will remit IGST to the Central Government as follows:

	IGST (in Rs)
Tax on output	12,500
Less Tax credit	
CGST on input	5,000
SGST on input	5,000
Balance payable by Dharmesh in cash (through internet banking) to Central Government.	2,500

Note: Karnataka (the exporting State) will transfer SGST credit of Rs 5,000 utilized in payment of IGST to the Central Government. This is an internal transfer, the tax payers Dharmesh or Samarth are not supposed to take any action on this account.



Notes

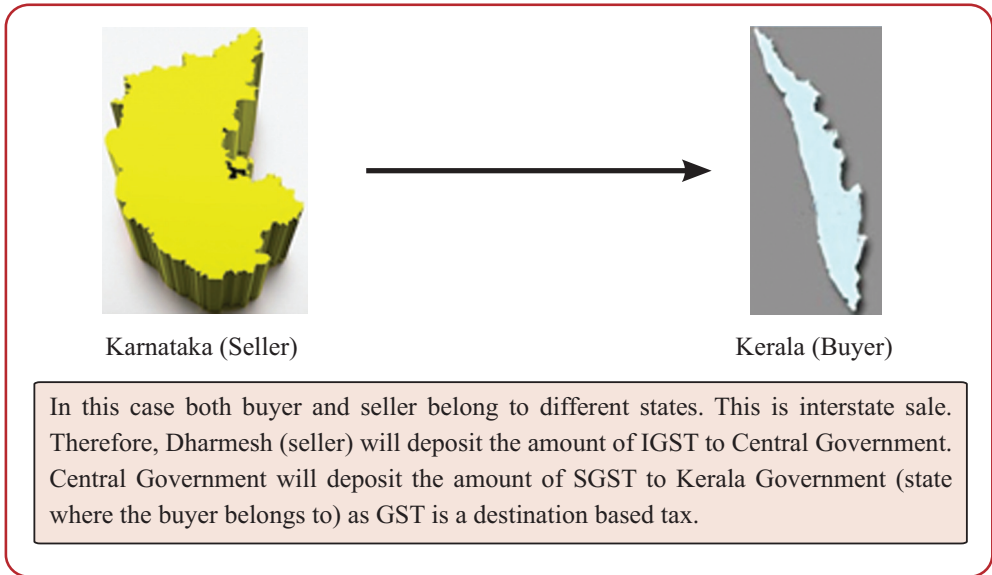


Fig. 20.17: Interstate Sale



INTEXT QUESTIONS 20.9

Read the following questions and fill in the blanks with suitable answer in the grid given below:

Sahin of Delhi is a wholesale dealer of Kohinoor Rice. GST rate for supply is 5 %. He supplies (sells) rice to the dealers mentioned below:

Date of sale and delivery of Rice	Recipient (Buyer) of Kohinoor Rice	Place of supply	Amount
March 5,2018	Kanak	Patna	50,000
March 10, 2018	Harish	Jaipur	60,000
March 20,2018	Sagar	Delhi	80,000
March 30, 2018	Sameer	Pune	80,000

Calculate GST liability for March 2018. Also mention the state where GST will be deposited by Sachin.

20.10 GST REGISTRATION

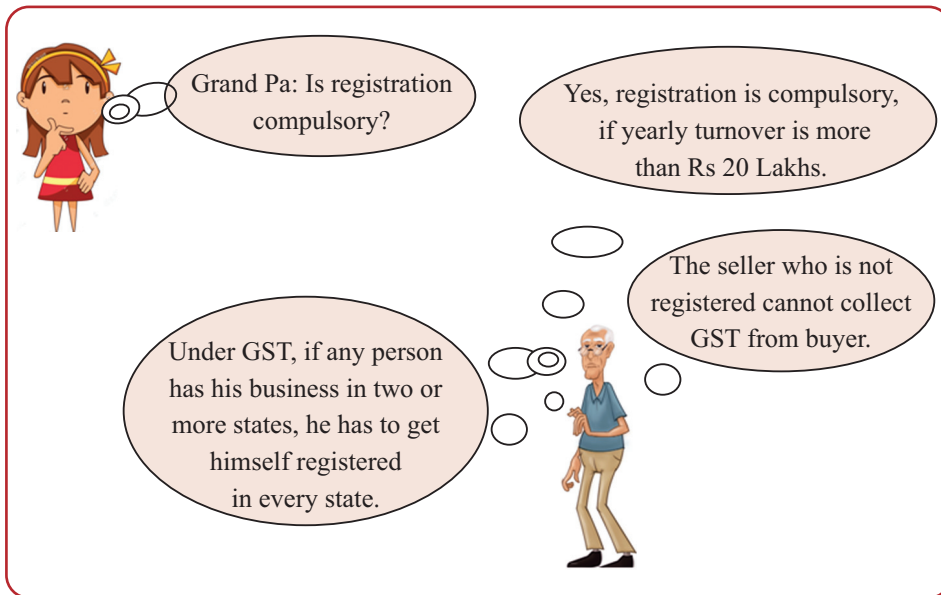


Fig. 20.18: GST Registration



In the tax system of any economy, the basic requirement for the recognition of the tax payer is his registration. Under GST registration, every business entity is provided with a unique number. This unique number gives the authority to collect tax from the end consumers on behalf of the government and avail the benefit of input tax credit for the taxes on his inward supplies. Without registration, collection of tax from consumers and any claim of input tax credit is not possible.

Once the registration process under GST is completed, the 15-digit alpha numeric GST identification number called as ‘GSTIN’ is allotted to the supplier of goods and services. The structure of GSTIN is as follows:

State Code		PAN Number										Entity Code	Check Digit	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

The first 2 digits of GSTIN are the State Code, next 10 digits are the PAN issued by the income tax 1961 Act, next 2 digits consist of Entity Code and last digit is known as check digit.

Before GST, manufacturer and producer were required to be registered with Central Excise, while traders of the goods needed to be registered either with VAT department or with CST department or both. Similarly, service provider too was required to be registered with the Service Tax department.

Be Your Own Boss



Notes

Some of the registrations were centralized, such as Excise Duty and others under State Laws like VAT. PAN based registration number were allotted under centralized tax system whereas under state Laws, it was not PAN based.

Under GST, centralized registration is not there. Registrations are to be carried out State wise.

Why Registration is Important

Registration is important for every business entity (taxpayer) to avail the following benefits:

- to be recognized as the supplier of goods and services,
- to be authorized to collect taxes from his consumers on behalf of the Government,
- to claim Input Tax Credit of taxes paid and to utilize the same for payment of taxes due on supply of goods or services,
- to avail uninterrupted flow of Input Tax Credit from suppliers to recipients at the national level.

Who is Liable for Registration?

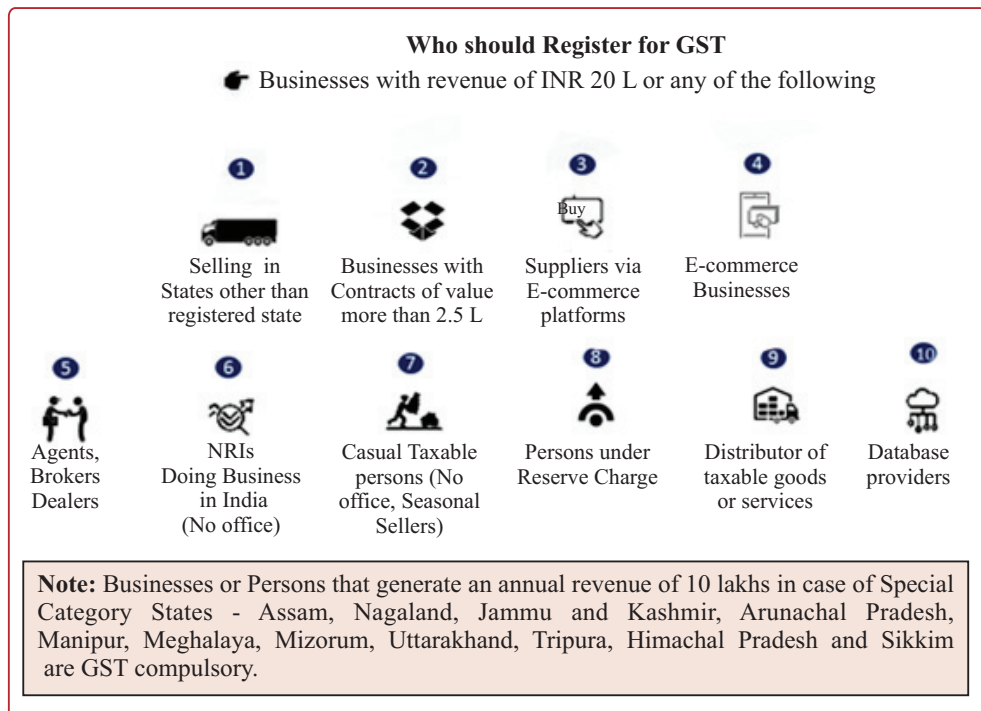


Fig. 20.19: Persons liable for GST Registration

As per section 22 of GST Act, the following persons are liable for registration:

1. Every person holding the registration license under an earlier law of Central Excise law, Central State tax law, State VAT law and Service tax law shall be liable to be registered under this Act with effect from the appointment day.
2. Every supplier shall be liable to be registered under this Act in the state/ Union Territory from which he is supplying goods and services or both under the following conditions:
 - I. If aggregate turnover in any financial year exceeds the threshold limit of **twenty lakh rupees** except in special category states.
 - II. If aggregate turnover in any financial year exceeds the threshold limit of **ten lakh rupees** in case of **special category states** Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizorum, Nagaland and Tripura, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand.
3. Every taxable person registered under this Act, if transfers his business (whether on account of succession or otherwise) to another person, then the transferee or the successor of the business shall be liable to be registered under the Act from the date of such transfer or succession. In other words, it can be said that when the business is transferred, registration license is not transferred, transferee has to apply for fresh registration.
4. Every small business entity whose turnover in the financial year is below the threshold limit of **twenty lakh rupees** or **ten lakh rupees** as the case may, be can voluntarily opt for registration. After registration, such a person has to follow all the provisions of this Act.



Notes

Who is Not Liable for Registration (Section 23)

As per section 23, the persons who are not liable to obtain registration license are as follows: -

1. Any person who is in the agricultural business, to the extent of supply of goods produced from cultivation of land,
2. Any person who is engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act,
3. The Government can also specify the category of persons who are not liable to obtain registration under this Act, but only after the recommendation of the Council.



Notes

Persons Not Liable For Registration in GST – Sec 23

Aggregate Turnover → 20 Lakh/10 Lakh → No Registration in following Cases

↓

- Person exclusively engaged in the business of supplying goods/ services that are not liable to tax

↓

Both

↑

- Person exclusively engaged in the business of supplying goods/ services that are wholly exempt from tax

- Agriculturist, to the extent of supply of produce out of cultivation of Land

Sec 23 (2) → The Government may, on the recommendation of the council, by notification, specify the category of persons who may be exempted from obtaining registration under this Act

Fig. 20.20: Persons Not Liable for GST Registration

- Note:**
1. If the supplier of goods and services crossing the threshold limit of twenty lakh rupees (ten lakh rupees for specific 11 states mentioned above) under GST Law, he has to get himself registered within 30 days from crossing such limit.
 2. Casual taxable persons or non-resident taxable persons should get themselves registered at least 5 days before commencement of business.
 3. Every person who wants to register must have valid Permanent Account Number (PAN). GST registration is based on PAN.
 4. Threshold limit of twenty lakhs or ten lakhs will be calculated on all India basis.

Conclusion

Thus, we conclude from the above discussion that GST is a comprehensive indirect tax imposed on manufacturing, sale and consumption of goods as well as services at the national level. It has replaced almost all the indirect taxes imposed on goods and services separately by Central and State Government of India. It has eliminated the double taxation effect of taxes on production and distribution cost of goods and services making the goods cheaper. This has been done by providing the facility of input tax credit.



INTEXT QUESTIONS 20.10

Read the following questions and choose the best option as answers:

1. Within how many days should a person should apply for registration?
 - (a) Within 60 days from the date he becomes liable for registration.
 - (b) Within 30 days from the date he becomes liable for registration.
 - (c) No time limit.
 - (d) Within 90 days from the date he becomes liable for registration.
2. What is the validity period of the registration certificate?
 - (a) One year
 - (b) Ten years
 - (c) Valid till it is cancelled.
 - (d) Five years
3. What is the cut off turnover limit for compulsory registration under GST?
 - (a) Rs 9 lakhs
 - (b) If it exceeds Rs 20 lakhs
 - (c) Rs 50 lakhs
 - (d) No limit for registration



Notes



WHAT YOU HAVE LEARNT

- There are two types of taxes- Direct Tax and Indirect Tax.
- GST in India was introduced on 1st July ,2017.
- Before introduction of GST, India had many indirect taxes such as excise duty, custom duty, VAT, CST, Surcharge & Cess, Service Tax, CAD, Purchase Tax, Entry Tax, Luxury Tax etc.
- After GST all the major taxes have been submerged into one tax i.e. GST.
- GST is a destination-based tax.
- GST is applicable on whole of India (including Jammu & Kashmir).
- Every person whose turnover exceeds Rs 20 lakhs or Rs 10 Lakhs in eleven special category states needs to carry out compulsory registration within 30 days of crossing the said limit.

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**Notes****TERMINAL QUESTIONS**

- GST has removed the cascading effect (double taxation effect)
 - GST is based on the principle of VAT. Facility of input tax credit is available under GST.
1. If the goods are supplied from Chandigarh to Delhi, which type of tax will be applicable?
 2. Which of the following taxes is applicable in the case of supply of services from West Bengal to Haryana.
(a) CGST (b) UTGST (c) SGST (d) IGST
 3. Mr. X, a registered person in GST, is a flower dealer in Delhi. On 5th August 2018, he sells roses for decoration purposes for Rs50,000 to an interior decorator. Is GST applicable?
 4. Mr. Y lives in Delhi. He uses Delhi Metro for commuting from one place to another. Delhi Metro charges Rs 20 for 10 Kilometer. Is Mr. Y liable to pay GST.
 5. Mr. Z has a business of supplying perfumes in Assam. His annual turnover is Rs 10,00,090. Is he liable for GST registration? Also give your suggestion if his annual turnover is Rs 9,00,000.
 6. Mr. P is in the business of manufacture of pan masala. He sells pan masala for Rs 40,000. What rate of GST will be applicable?
 7. Aggregate turnover of S Ltd is Rs 35,00,000. It has two branches. Turnover of the Mathura branch is Rs 5,00,000. Turnover of the Madurai branch is Rs 30,00,000. Mathura branch is not subject to GST, as its turnover does not exceed Rs 20,00,000. Do you agree with it? Discuss.
 8. Divya is a wholesaler in Shimla. She mainly deals in fabric which is used in manufacture of ladies' garments. Her annual turnover is Rs 45,00,000. Is she liable to registration? How much GST rate is applicable on sale of garments?
 9. Rohan is a business man in Bangalore. He has applied for GST registration. His State code is 29. His PAN is AWCHG8548X. Entity code is A Z and check digit is 8. What will be his GSTIN?
 10. Roshan provided services to his clients for Rs 2,00,000 p.m. GST charged @ 18%. He paid office rent Rs 40,000 p.m. GST paid on rent is Rs 7,200. He also paid telephone bill of Rs 2,000 p.m. on which GST paid by him was Rs 360. Calculate the amount GST to be deposited by Roshan to government if he is liable to avail input tax credit.



ANSWER TO INTEXT QUESTIONS



Notes

20.1

1. Indirect tax
2. Indirect tax
3. Direct tax

20.2

1. Egypt
2. 1/6th or 1/8th of production
3. Imported goods

20.3

1. Import duty
2. VAT
3. CST
4. CST
5. VAT
6. CST

20.4

1. IGST
2. CGST and SGST
3. IGST
4. IGST
5. CGST and SGST
6. IGST

20.5

GST is not charged

20.6

1. True
2. False. Turnover is calculated on all India basis.
3. 50% of the amount will be deposited to Central Government and 50% to State Government i.e Kerala. Total GST charged is 5% of Rs 5,000 i.e. Rs 250. Rs 125 will be CGST and remaining Rs 125 will be SGST deposited to Kerala Government.

20.7

1. The Union Finance Minister is the Chairman of the GST council
2. Rs 10 Lakhs. As Haridwar is in Uttarakhand and the threshold limit of Uttarakhand is Rs 10 lakhs.
3. List of items on which 0%GST is charged is as follows:
Fruits and vegetables, cereals, fish(not frozen or processed), meat (other than in frozen state and put up in unit containers), cane jiggery, tender

MODULE - IV

Be Your Own Boss



Notes

Know Your Tax System – Goods and Services Tax

coconut water, silkworm laying cocoon, raw silk, wool, cotton used in Gandhi Topi, puja samagri, live animals (except horses), electricity etc.

20.8

1. IGST
2. Central Government
3. CGST and SGST

20.9

Computation of GST of Sachin for March 2018

Recipient (Buyer) of Kohinoor Rice	Nature of supply (inter-State or Intra State supply)	State in which SGST will be deposited	IGST @5%	CGST @ 2.5%	SGST @ 2.5%
Kanak	Inter state	Bihar	2,500		
Harish	Inter state	Rajasthan	3,000		
Sagar	Intra state	Delhi		2,000	2,000
Sameer	Inter state	Maharashtra	4,000		

20.10

1. (b) within 30 days from the date of becoming liable for registration
2. (c) valid till it is cancelled
3. (b) Exceeds Rs 20 lakh.

Question Paper Design

Employability Skills and Entrepreneurship
Sr. Secondary Course

Marks: 80

Duration: 3 hours

1. Weightage by objectives

Objectives	Marks	Percentage of the total marks (Approx)
Knowledge	24	30
Understanding	32	40
Application + Skills	24	30
Total	80	100%

2. Weightage by Types of Questions

Type	Number of Question	Total	Estimated time a candidate is expected to require to solve the question
Long answer question	4×5	20	30
Short answer question	6×4	24	50
Very short answer question	13×2	26	70
Multiple choice questions	10×1	10	15
	80 marks	300 min	10 (Reading+Revision)

3. Weightage by Content

Lesson No.	Lesson Name	Marks
1.	Let us find ourselves!!	5
2.	Connecting the Dots	4
3.	The leader in me	4
4.	From confusion to clarity: Role of Communication	4
5.	Developing the Self	4
6.	Be Well Do Well	4
7.	Leading , Not Bossing	5
8.	Effective Communication: A Life Long Asset	5

Question Paper Design

9.	Working Smart: Introduction to Computers	4
10.	Spreadsheets	3
11.	Presentation	3
12.	You in the World of Web	4
13	E business	4
14	Cyber security	4
15	Who is an Entrepreneur	4
16	Co-existing within the business ecosystem	4
17	Know your Business Processes	6
18	Know the External Business Environment	4
19	Be an Ethical Entrepreneur	5

80

4. Difficulty level of the question

Lesson No.	Level	Marks	% age of Marks given
1.	Difficult	35	28%
2.	Average	40	32%
3.	Easy	25	20%
	Total	80	100%

8. Which form of verb will be used to describe an event which started in the past but is still going on?
 A. Simple Past
 B. Past Perfect
 C. Past Perfect Progressive
 D. Past continuous 1
9. Which of the following internet services should be used by Sumit's company that needs to simultaneously enter project data from six different cities in a single file?
 A. E-mail
 B. Cloud Computing
 C. Crowd sourcing
 D. Search engine 1
10. Which of the following quality processes is being used by each employee of ABD Pvt. Ltd. to ensure continuous improvement and better customer satisfaction?
 A. The 5S organization technique
 B. Total quality management
 C. Kaizen
 D. Corporate social responsibility 1
11. List the elements of communication as described in the Albert Mehrabians' model of communication. 2
12. "Then..... I wore a shirt and my brother's trouser, cut my hair short and ignored my womanliness. Dress in sarees, be girl. Be wife, they said....
 (i) Name the poem from which these lines have been taken and also the author who has written it.
 (ii) Why do you think author wore a shirt and brother's trousers? what did she want to say through it? 2
13. State one difference and one similarity between Hacking and Cyber stalking. 2
14. Identify the three phases of Business Incubations which help in fostering Entrepreneurial Ecosystem. State any one requirement of a healthy ecosystem. 2
15. Karin Ahmed is conscientious worker and believes in following the rules of his company strictly. He insists his subordinates to do the same. Give two reasons why he is not considered a wholesome leader. 2
16. Write a short note of about 60 describing the room you are sitting in right now? (Consider the mood of the room and how are people behaving). 2
17. Rewrite the following terms in neutral and bias free language.
 (a) Deaf (b) Middle man
 (c) Mothering (d) Manpower 2

Sample Question Paper

18. \$ABII is an example of which type of referencing? Explain with a reason. 2
19. Sujata is creating a presentation in power point, for the people with low vision and basic literacy skills. List any four features that would make her presentation more attractive. 2
20. Illustrate any one element used in measuring each of the following Entrepreneurial component: 2
- | | |
|-------------|------------------------------|
| (a) Culture | (b) Research and development |
| (c) Markets | (d) Finance |
21. An export house has received a big order that needs to be delivered in a short period. The owner asks his employees to stay back for 3-4 hours. He also requests them to bring their children in the evening for odd jobs. He informs them that they will be paid some extra amount to for this work.
Under which act can the employers seek to protect their rights? 2
22. Parveen's clients feel that she doesn't listen attentively during business conversations. What steps can be taken to improve her communication skills. 2
23. Your friend received a business proposal through an email. The company is asking for his account details to initiate the formalities. Explain any two risks involved in such cases. 2
24. Explain the four ways to insert a table in MS-Word. 4
25. Define an entrepreneur? List the skills required to become an effective entrepreneur. 4
26. Suggest eight steps you will take to ensure an environment that respects diversity and is empathetic to the needs of all in your enterprise. 4
27. You are an area manager for a leading telecommunication company. For past few months you observed a downfall in market share in one of your territories. You found out that your supervisor has not been visiting that particular territory with the result dealers were unaware of company's new schemes and offers.
Write an email to the supervisor expressing your concern on loss of market share and probable reasons for the same. Remember to be a leader and not boss. 4
28. Why is PESTEL analysis important to analyze your business environment? Compare three key social and environmental factors that needs to be analyzed to run a business enterprises successfully. 4
29. Amit and his friends have to make a group project in PowerPoint. They downloaded a similar project from internet and plan to submit it under their names. Since they now have extra time they start troubling others on a social networking site.
(a) Name the offence they have committed.

- (b) Write one netiquette to be followed for each offence.
- (c) What kind of trouble they can fall into, which may negatively impact their future? 4
30. Explain any two from the following quality processes:
- (a) Total quality management (TQM)
- (b) 5s Japanese process
- (c) What are administrative and operational process? 5
31. Kiran has undergone vocational training in office management and sends the same CV while applying for various jobs. What advice will you give to her to ensure that she is called for interview? 5
32. Your friend who has a bedridden mother, has passed her class XII from NIOS with 80% marks she has been giving tuitions for the last three years to supplement family income.
- (a) Considering her situation suggest one business idea she can peruse.
- (b) Based on Covey's 4 quadrant module of management, place the various activities she will need to undertake achieve her goal in appropriate sections. 5
33. You run a pharmacy at your city. A young boy makes repeated visits with seemingly forged prescriptions demanding medicines with high levels of intoxicants. You suspect foul play.
- (a) Keeping in mind the ethical aspects of running a responsible business, list individual and collective concerns in this matter.
- (b) What action would you take at an individual level? Support your answer with a reason.
- (c) As a responsible person. What steps would you take to further inhibit this growing menace at the collective level? 5

Marking Scheme

Employability Skills and Entrepreneurship Sr. Secondary Course

S.No.	Expected value points	Distribution of Marks	Total Marks
1.	B. Equal to (=)	1	1
2.	D. Slide sorter view	1	1
3.	D. Enterprise Resource Planning	1	1
4.	A. Dismissing a subject prematurely as uninteresting	1	1
5.	B. Anil	1	1
6.	C. B2C	1	1
7.	C. Gender insensitive language	1	1
8.	D. Past continuous	1	1
9.	B. Cloud computing	1	1
10.	C. Kaizen	1	1
11.	Three basic element of communication as per Albert Mehrabian’s model of communication are:		
	(i) Spoken words and Intonation (tone)	1	
	(ii) Body Language	1	2
12.	(i) The lines have been taken from the poem “An introduction” by Kamala das	½ ½	
	(ii) Author wore a shirt and brother’s trouser to ignore or defy her womanliness or felinity. She wanted to tell the world that men and women are equal and need not be categorized.	1	2
13.	Similarity: Both are cybercrimes.	1	
	Difference: Hacking refers to use computers to make unauthorized access to other computers, whereas cyber staking refers to threaten or harass someone through electronic medium.	1	2

Marking Scheme

S.No.	Expected value points	Distribution of Marks	Total Marks
14.	The three phases of business Incubation are: 1. Pre-incubation phase 2. Incubation phase 3. Post incubation phase	1½	
	Requirements of a healthy ecosystem are: (Any one) 1. Unique 2. Flexible 3. Effective communication 4. Motivation 5. Financers 6. Remove Barrier	½	2
15.	1. He is not sayustable and does not respond appropriately to specific situation and needs as he is adamant about following the rules.	1	
	2. He does not empathize with special needs of his subordinates and accommodate them specific needs	1	2
16.	Physical description of the room	¼	
	Description of the mood of the room	¼	
	Description of the people in the room	¼	
	Any additional description.	¼	
	Correctness of the sentence structure.	1	2
17.	(a) Deaf → Hearing impaired	½	
	(b) Middle man → Intermediary	½	
	(c) Mothering → Parenting /Nurturing	½	
	(d) Manpower → Workforce/Human resource	½	2
18.	Mixed referencing	1	
	Reason: In \$ABII, AB will remain fixed and the row number II will update relatively when the formula will be copied to another cell it happen in mixed referencing .	1	2

S.No.	Expected value points	Distribution of Marks	Total Marks
19.	Music/sound, smart arts, charts, world art, videos, images, font formatting themes etc. Any four.	$\frac{1}{2} \times 4$	2
20.	(a) Culture (i) Social organizations (ii) Government and media (iii) Professional Associations Any one (b) Research and Development (i) Private research contacts (ii) Laboratories (iii) Universities, schools and colleges Any one (c) Markets (i) Consumers (ii) Distribution networks (iii) Domestic and International corporations Any one (d) Finance (i) Access to debt and venture capital (ii) Microfinance institutional and banks, (iii) Government grants and financing Any one	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$	2
21.	The factories act 1942 ● Working hours and overtime of adults ● Employment of young persons. ● Extra wages for overtime double the normal rate of wages.	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$	2

Marking Scheme

S.No.	Expected value points	Distribution of Marks	Total Marks
22.	<p>Preveen must practice active listening</p> <p>She must put aside distracting thoughts and avoid being distracted by environmental factors.</p> <p>She must use her body language to convey that she's paying attention</p> <p>She should summarize the speaker's comments regularly and ask for clarifications.</p>	<p>½</p> <p>½</p> <p>½</p> <p>½</p>	2
23.	<ol style="list-style-type: none"> 1. The mail might be from an unknown source, trying to make unauthorized access his account 2. If he shares his account details through mail someone could transfer or withdraw money from his account using unfair means. 	<p>1</p> <p>1</p>	2
24.	<p>Following methods are used to insert a table in MS-Word.</p> <ol style="list-style-type: none"> 1. Using the Grid 2. Using insert table option 3. Using draw table option 4. Using quick table <p>(The above methods should be explained as well)</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	4
25.	<p>An entrepreneur is a person who notices an opportunity and develops a new product or services to fulfill a unfulfilled need.</p> <p>Skills</p> <ol style="list-style-type: none"> 1. Decision making 2. Risk taking 3. Resource fullness 4. Presentations and communication skills 5. Relationship management 6. Foresightedness 	<p>1</p> <p>(½ × 6) = 3</p>	4

S.No.	Expected value points	Distribution of Marks	Total Marks
26.	<ol style="list-style-type: none"> 1. Be a good role model respect all 2. Encourage team spirit each helping the other and accepting each other 3. Design a well defined hierarchy, so that each employee follows and respects it. 4. Salary according well defined norms of qualification and experience. 5. Deal with everyone with empathy with inclusion 6. Teach employees to accept one another keeping the longer goal of the enterprise in mine 7. Understand all situations from the employees perspective 8. Ensure that your response to the employees is not impulsive or inappropriate 	($\frac{1}{2} \times 8$)	4
27.	<ol style="list-style-type: none"> 1. The language of the mail should be expressive and not opinionated. e.g. “On my market visit, I gathered certain information reflecting your absentia from the territory. I would line to discuss the reasons for the same in person. I know this may be unintentional” 2. Asking supervisor to tell his side of story. 3. Use of positive words and expressions. 4. The endnote should be motivating or empathizing 	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	4
28.	<p>PESTEL analysis helps the organizations assess the risks associated and use that knowledge to make informed decisions.</p> <p>Social factors</p> <ol style="list-style-type: none"> 1. Culture 2. Society 3. Community <p>Environmental factors</p> <ol style="list-style-type: none"> 1. Climate change and weather conditions 2. Waste management and pollution 3. Global warming 	<p>1</p> <p>($\frac{1}{2} \times 3$)</p> <p>($\frac{1}{2} \times 3$)</p>	4

Marking Scheme

S.No.	Expected value points	Distribution of Marks	Total Marks
29.	<ol style="list-style-type: none"> 1. Plagiarism and cyber bullying 2. Respect copyright: copyright laws should not be violated No Flaming: Personal remarks or insults should not be done 3. Legal actions should be taken against them, which may bring them in the list of criminals and affect other formalities. 	<p>($\frac{1}{2} + \frac{1}{2}$)</p> <p>1</p> <p>1</p> <p>1</p>	4
30.	<p>Any two processes out of three</p> <p>(a) TQM is continuous effort by management and employees in an organization to improve products/ services and culture for long term loyalty. 8 principles are followed: Customer focus, total employee Involvement, Process centered, integrated system, strategic, continual, fact-based learning and communication.</p> <p>(b) 5s: Japanese process to increase efficacy at work Seiri (sort) Seilon (straighten/set) Seiso (shine/sweep) Seikelsu (standardize) Shitsuke (sustain)</p> <p>(c) Administrative and operational process: used for running business enterprise like purchase order, payments, invoice, audits, management information system (MIS)</p>	<p>($2\frac{1}{2} + 2\frac{1}{2}$)</p>	5
31.	<ol style="list-style-type: none"> 1. Recruiters spend on an average 5-7 seconds to look at a CV. 2. In order to create an impression within a short time, she should customize her CV as per the post she is applying for. 3. Most CVs are rejected because of their generic nature. 4. CV should be tailored in terms of skills required for a particular post. 5. Chronology of skills should be as per job's skills requirement going from most required to least required. 	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	5

Marking Scheme

S.No.	Expected value points	Distribution of Marks	Total Marks
33.	<p>(i) The concerns may be</p> <ol style="list-style-type: none"> 1. Individual level <ol style="list-style-type: none"> (a) Forged prescription could pose a legal challenge (b) Giving our intoxicating drugs could damage reputation and goodwill 2. Community level <ol style="list-style-type: none"> (a) Leads to addiction and substance abuse. (b) Leads to loss of community at large <p>(ii) Action at individual level</p> <ol style="list-style-type: none"> (a) For forged prescription <ul style="list-style-type: none"> ● Seek legal help ● Don't accept order ● File FIR ● Counsel child (b) For goodwill/ reputation <ul style="list-style-type: none"> ● Seek legal help ● be striker either checking ● Train staff <p>(iii) Action at collective level</p> <ol style="list-style-type: none"> (a) Addiction and substance abuse <ul style="list-style-type: none"> ● Business ● Schools/collage ● Media ● Doctor who write prescription (b) Loss of community <ul style="list-style-type: none"> ● Seminars ● Work with NGOs 	<p>1/4</p> <p>1/4</p> <p>1/4</p> <p>1/4</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	5

Complete and Post the feedback form today

Feed back on Lessons

Lesson No.	Lesson Name	Content			Language		Illustrations		What You Have Learnt	
		Difficult	Interesting	Confusing	Simple	Complex	Useful	Not useful	Very helpful	Not helpful
15.										
16.										
17.										
18.										
19.										
20.										

Final fold and seal

Fourth fold

Third fold

Feed back on Questions

Dear Learners,
 You must have enjoyed going through your course books. It was our endeavor to make the study material relevant, interactive and interesting. Production of material is a two way process. Your feedback would help us improve the study material. Do take a few minutes of your time and fill-up the feedback form so that an interesting and useful study material can be made.
 Thank you
 Coordinators
 (Employability Skills)

Lesson No.	Lesson Name	Intext Questions		Terminal Questions		
		Useful	Not useful	Easy	Diff.	V. diff.
15.						
16.						
17.						
18.						
19.						
20.						

Second Fold



Yours suggestion

Did you consult any other book to study Employability Skills? Yes/No
If Yes, give reason for consulting it

Name : _____

Subject : _____

Enrolment No: _____

Book No: _____

Address : _____

Postage
Stamp

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No Enclosures allowed