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FAIRFIELD
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BBA (G &BI)-Second Semester   Subject: Business Organisation   Code- 102

Syllabus

Unit I **Lectures:-12**

Introduction: Concept, Nature and Scope of Business; Concept of Business as a System; Business and Environment Interface; Business Objectives; Profit Maximization vs Social Responsibility of Business; Introduction to Business Ethics and Values.

Unit II **Lectures:-14**

Business Enterprises: Entrepreneurship – Concept & Nature; Locations of Business Enterprise (Weber's Theory); Government Policy on Industrial Location.

Forms of Business Organization: Sole Proprietorship, Joint Hindu Family Firm, Partnership firm, Joint Stock Company, Cooperative Organization; Types of Companies, Choice of form of organization; Promotion of a company – Stages in formation; documentation (MOA, AOA).

Unit III **Lectures:-12**

Small Business: Scope and role; Government Policies.

Government & Business Interface: Rationale; Forms of Government and Business Interface.

Unit IV **Lectures:-14**

Multinationals: Concept and role of MNCs; Transactional Corporations (TNCs); International Business Risks.

Business Combinations: Concept and causes of business combinations; Chambers of Commerce and Industry in India; FICCI, CII, ASSOCHAM, AIMO, etc.

Unit- I

What is Business?

Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants.

Definitions of Business

Stephenson defines business as, "The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants."

According to Dicksee, "Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted."

Thus, the term business means continuous production and distribution of goods and services with the aim of earning profits under uncertain market conditions**.**

Nature/ Features / Characteristics of Business

The salient features of business are given below:

1. Creation of utilities:

Business enables people to satisfy their wants more effectively and economically. It carries goods from place of surplus to the place of scarcity (place utility). It makes goods available for use in future through storage (time utility).

2. Dealings in goods and services:

Every business enterprise produces and/or buys goods and services for selling them to others. Goods may be consumer goods or producer goods. Services facilitate buying and selling of goods by overcoming various hindrances in trade.

3. Continuity in dealings:

Dealings in goods and services become business only if undertaken on a regular basis. According to Peterson and Plowman, "a single isolated transaction of purchase and sale will not constitute business recurring or repeated transaction of purchase and sale alone mean business."

4. Sale, transfer or exchange:

All business activities involve transfer or exchange of goods and services for some consideration. The consideration called price is usually expressed in terms of money. Business delivers goods and services to those who need them and are able and willing to pay for them.

5. Profit motive:

The primary aim of business is to earn profits. Profits are essential for the survival as well as growth of business. Profits must, however, be earned through legal and fair means. Business should never exploit society to make money.

6. Element of risk:

Profit is the reward for assuming risk. Risk implies the uncertainty of profit or the possibility of loss. Risk is a part and parcel of business. Business enterprises function in uncertain and uncontrollable environment.

7. Economic activity:

Business is primarily an economic activity as it involves production and distribution of goods and services for earning money.

8. Art as well as science:

Business is an art because it requires personal skills and experience. It is also a science because it is based on certain principles and laws.

The above mentioned characteristics are common to all business enterprises irrespective of their nature, size and form of ownership.

Scope of Business

Let's look around and find out the various types of business activities that usually take place in an economy. Some of these are:

• Extraction of oil, natural gas or minerals;

• Manufacturing of commodities;

• buying of goods from one place/country and selling it at different place/country;

• Construction of buildings, roads, and bridges etc.

• providing services like ticketing, warehousing, transportation, banking, insurance etc.

When we analyze the above business activities we find that most business activities are concerned with production and/or processing of goods and services or distribution of goods and services. The former is known as 'Industry' and the latter as 'Commerce'. So we can classify business as Industry and Commerce. Let us now know details about these two categories.

Types of Business Objectives

There are five types of business objectives, viz.,

1. Economic Objectives,
2. Social Objectives,
3. Organic Objectives,
4. Human Objectives, and
5. National Objectives

Economic Objectives:

Business is basically an economic activity. Therefore, its primary objectives are economic in nature. The main economic objectives of business are as follows:

(i) Earning profits:

A business enterprise is established for earning some income. It is the hope of earning profits that inspires people to start business. Profit is essential for the survival of every business unit.

(ii) Creating customers:

A businessman can earn profits only when there are enough customers to buy and pay for his goods and services. In the words of Drucker, "There is only one valid definition of business purpose; to create a customer.

(iii) Innovations:

Businessman develops new technology, introduce new designs and new tools and processes to minimise costs and to satisfy ever increasing wants of customers. In order to create customers business has to explore new markets and attract more customers. It has also to retain old customers by providing better services to them.

2. Social objectives

Business does not exist in a vacuum. It is a part of society. It cannot survive and grow without the support of society. Business must therefore discharge social responsibilities in addition to earning profits.

According to Henry Ford, "the primary aim of business should be service and subsidiary aim should be earning of profit." The socials objectives of business are as follows:

(i) Supplying desired goods at reasonable prices:

Business is expected to supply the goods and services required by the society. Goods and services should be of good quality and these should be supplied at reasonable prices. It is also the social obligation of business to avoid malpractices like boarding, Black marketing and misleading advertising.

(ii) Fair Remuneration to employees:

Employees must be given fair compensation for their work. In addition to wages and salary a reasonable part of profits should be distributed among employees in recognition of their contributions. Such sharing of profits will help to increase the motivation and efficiency of employees.

(iii) Employment Generation:

Business should provide opportunities for gainful employment to members of the society.

If unemployment problem increases, the socioeconomic environment cannot be congenial for the growth of business activities.

(iv) Fair return to investor:

Business is expected to pay fair return to shareholders and creditors in the form of dividend and interest. Investors also expect safety and appreciations of their investment.

(v) Social welfare:

Business should provide support to social, cultural and religious organisations. Business enterprises can build schools, colleges, libraries, dharam shalas, hospitals, sports bodies and research institutions. They can help non-government organisations (NGOs) like CRY, Help Age, and others which render services to weaker sections of society.

(vi) Payment of Government Dues:

Every business enterprise should pay tax dues (income tax, sales tax, excise duty, customs duty, etc.) to the government honestly and at the right time.

3. Human Objectives

Business is run by people and for people. Labour is a valuable human element in business. Human objectives of business are concerned with the well-being of labour. These objectives help in achieving economic and social objectives of business. Human objectives of business are given below:

i.**Labour welfare:**

Business must recognise the dignity of labour and human factor should be given due recognition.

ii. Ii) Developing human resources:

Employees must be provided the opportunities for developing new skills and attitudes. Human resources are the most valuable asset of business and their development will help in the growth of business.

iii. Participative management:

Employees should be allowed to take part in decision making process of business. This will help in the development of employees.

iv. Labour management cooperation:

Business should strive for creating and maintaining cordial employer employee relations so as to ensure peace and progress in industry. Employees should be treated as honourable individuals and should be kept informed.

4. National Objectives

National objectives of business are as follows:

(i) Optimum utilisation of resources:

Business should use the nation's resources in the best possible manner. Judicious allocation and optimum utilisation of scarce resources is essential for rapid and balanced economic growth of the country.

(ii) National self-reliance:

It is the duty of business to help the government in increasing experts and in reducing dependence on imports. This will help a country to achieve economic independence. This requires development of new technology and its application in industry.

(iii) Development of small scale Industries:

Big business firms are expected to encourage growth of small scale industries which are necessary for generating employment. Small scale firms can be developed as ancillaries, which provide inputs to large scale industries.

(iv) Development of backward areas:

Business is expected to give preference to the industrialisation of backward regions of the country. Balanced regional development is necessary for peace and progress in the country.

Distinguish between Business, Profession and Employment

Business The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants.

Profession : Occupation, practice, or vocation requiring mastery of a complex set of knowledge and skills through formal education and/or practical experience. Every organized profession (accounting, law, medicine, etc.) is governed by its respective professional body. **Employment** is a contract between two parties, one being the employer and the other being the employee. An employee may be defined as: "A person in the service of another under any contract of hire, express or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed."

The main points of distinction between Business, Profession and Employment are given below:

1. Mode of establishment:

A business enterprise is established when an entrepreneur takes a decision to carry on some business activity. In a profession, on the other hand, the membership or enrolment of a recognised professional association or institution is essential. In order to take up employment, a person has to enter into a contact of service.

2. Nature of work:

A business exists to provide goods and services to satisfy human wants. On the other hand, a professional renders personalised service of a specialised nature to his clients. An employee performs the work assigned by the employer under the contract of service.

3. Qualifications:

No formal education is compulsory in order to carry on a business. But for a profession, specialised knowledge and training are essential. Minimum educational qualifications are prescribed for every profession. In case of employment, the qualifications required depend upon the nature of the job.

4. Main objective:

In business, the basic motive is to earn profits. A professional, on the other hand, is expected to emphasise the service motive and sense of mission.

That is why; a rigorous code of ethical behaviour is laid down in every profession. In case of service, the motive of an employee is to earn salary and receive other benefits.

5. Investment:

Every business requires capital depending upon the nature and scale of operations. A professional also has to invest some capital to establish an office for rendering services. There is no need for capital in case of employment.

6. Risk:

There is an inherent element of risk in business and profession but practically no risk is involved in case of employment. There can be loss in business but in profession and employment return is never negative.

7. Reward:

Profit is the reward of a businessman while professional fee is the reward of a professional. The reward in case of employment is wage or salary. Wage/salary and fee are more regular and fixed than profits.

8. Transfer of interest:

It is possible to transfer ownership interest in business. But no such transfer is possible in case of profession and employment.

9. Public advertisement:

The success of a business depends upon public advertisements. But professionals are prohibited from giving public advertisements. There is no need for public advertisements in case of service.

In spite of the above differences, there is a close interrelation between business, profession and service. A large business enterprise employs a large number of persons in order to achieve its objectives.

What is Industry?

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products

Classification / Types of Industries ↓

There are various types of industries. These are mentioned as follows :-

1. Primary Industry: Primary industry is concerned with production of goods with the help of nature. It is a nature-oriented industry, which requires very little human effort. E.g. Agriculture, farming, forestry, fishing, horticulture, etc.

2. Genetic Industry: Genetic industries are engaged in re-production and multiplication of certain spices of plants and animals with the object of sale. The main aim is to earn profit from such sale. E.g. plant nurseries, cattle rearing, poultry, cattle breeding, etc.

3. Extractive Industry: Extractive industry is concerned with extraction or drawing out goods from the soil, air or water. Generally products of extractive industries come in raw form and they are used by manufacturing and construction industries for producing finished products. E.g. mining industry, coal mineral, oil industry, iron ore, extraction of timber and rubber from forests, etc.

4. Manufacturing Industry: Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower. The finished goods can be either consumer goods or producer goods. E.g. textiles, chemicals, sugar industry, paper industry, etc.

5. Construction Industry: Construction industries take up the work of construction of buildings, bridges, roads, dams, canals, etc. This industry is different from all other types of industry because in case of other industries goods can be produced at one place and sold at another place. But goods produced and sold by constructive industry are erected at one place.

6. Service Industry: In modern times service sector plays an important role in the development of the nation and therefore it is named as service industry. The main industries, which fall under this category, include hotel industry, tourism industry, entertainment industry, etc.

Difference among Industry, Commerce and Trade are related with each other

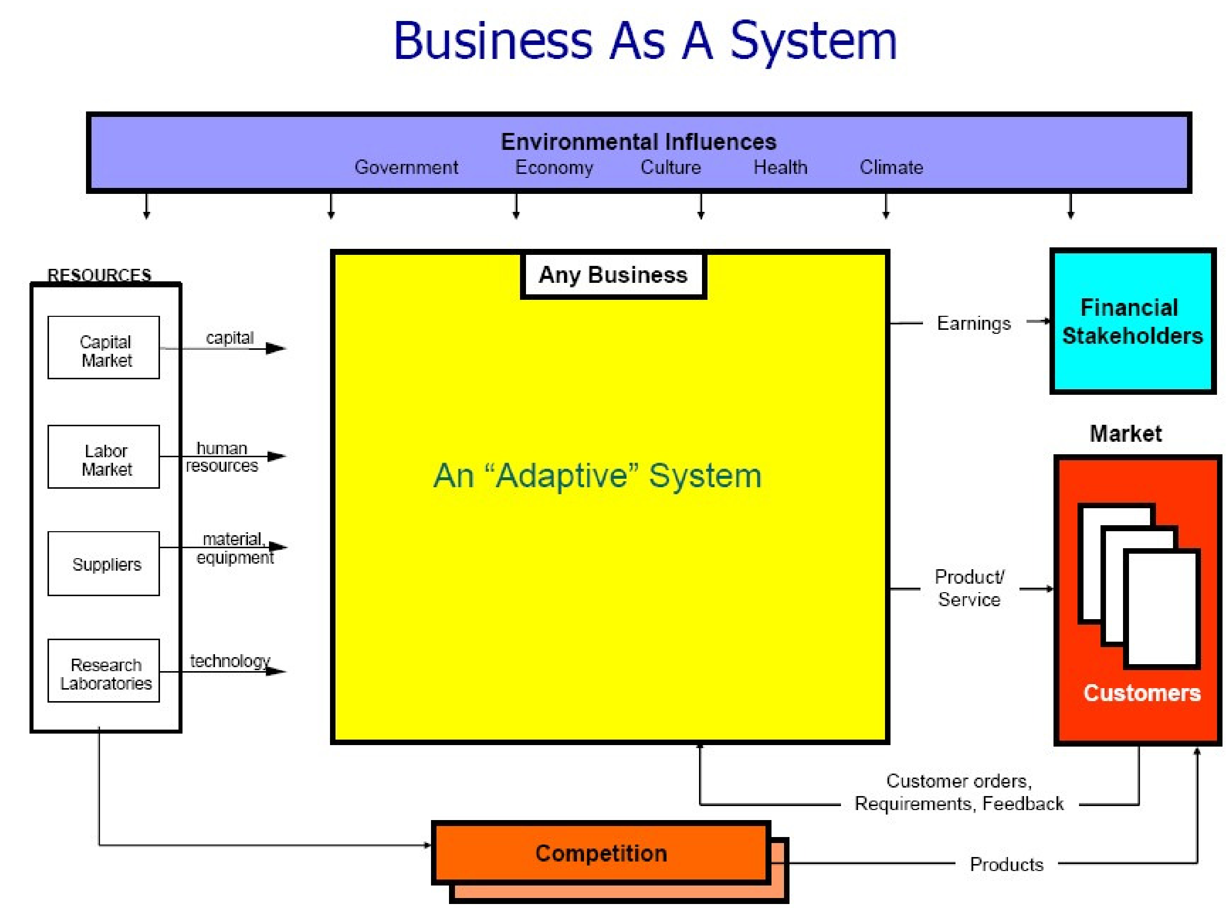
1) Meaning: Industry- Extraction, reproduction, conversion, processing and construction of useful products.
Commerce- Activities involving distribution of goods and services.
Trade - Purchase and sale of goods and services.
2)Scope: Industry- Consists of all activities involving conversion of materials and semi-finished products into finished products.
Commerce- Comprises trade and auxiliaries to trade.
Trade - Comprises exchange of goods and services.
3) Capital: Industry- Generally large amount of capital is required.
Commerce- Need for capital is comparatively less.
Trade - Capital is needed to maintain stock and grant credit.
4 Risk : Industry- Risk involved is usually high.
Commerce- Relatively less risk is involved.
Trade - Relatively less risk is involved.
5 Side : Industry-It represents supply side of goods and services.
Commerce-It represents demand side of goods and services.
Trade -It represents both supply and demand.

Business as a System

In business terminology, a *business system* refers to the value-added chain, which describes the value-added process, meaning the supply of goods and services. A business can span one or several business systems.

Each business system, in itself, generates economic benefit. Thus, the business administrative meaning of business system does not differ very much from our use of the term business system. We also refer to the 'results' of a business system as 'functionality'.

For the analysis and modeling of a business system it is important to define system limits. A business system that is to be modeled can span an entire organization. In this case, we talk about an *organization model*.



What is Business Environment and what are its components?

The environment of business is an extremely complex and dynamic phenomenon. It is the product of the technological, political legal, economic, cultural, global and natural factors among

which it functions. The environmental factors vary from country to country, even region to region.
Environment is a mixture of economic, social, political, legal and technological forces. **Arthur M. Weimer writes the business environment is the climate or set of conditions; economic, social, political or institutional in which business activities are conducted.**
In the wards of **William Gluck** and **Jauch**, ***"Environment contains the external factors that create opportunities and threat to the business. This includes socioeconomic conditions, technology and political conditions."***

Components of Business Environment

	Internal Environment External Environment	**Macro Environment & Macro**
	Objectives Management Structure Human Resource Marketing Capabilities R&D Technological Capability Internal Relationship	Customers o Suppliers o Competitors o Marketing o Intermediaries o Public o Economic Factors o Political Factors o Technological Social – Cultural Factors o Global Social – Cultural Factors o Global

Social Responsibilities of Business

What is Social Responsibility

The obligation of any business to protect and serve public interest is known as social responsibility of business

Social Responsibility Vs Profit maximization

We all know that people engage in business to earn profit. However, profit making is not the sole function of business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the environment properly etc.
However, while doing so two things need to be noted to view it as social responsibility of business. First, any such activity is not charity. It means that if any business donates some

amount of money to any hospital or temple or school and college etc., it is not to be considered as discharge of social responsibility because charity does not imply fulfilling responsibility.
Secondly, any such activity should not be such that it is good for somebody and bad for others. Suppose a businessman makes a lot of money by smuggling or by cheating customers, and then runs a hospital to treat poor patients at low prices his actions cannot be socially justified. Social responsibility implies that a businessman should not do anything harmful to the society in course of his business activities.
Thus, the concept of social responsibility discourages businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit. Instead, it encourages them to earn profit through judicious management of the business, by providing better working and living conditions to its employees, providing better products, after sales-service, etc. to its customers and simultaneously to control pollution and conserve natural resources.

Why should business be socially responsible?

Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of the different interest groups. As you have already learnt, the interest groups may be owners, investors, employees, consumers, government and society or community. But the question arises, why the business should come forward and be responsible towards these interest groups. Let us consider the following points:

i**. Public Image** - The activities of business towards the welfare of the society earn goodwill and reputation for the business.

ii. **Government Regulation** - To avoid government regulations businessmen should discharge their duties voluntarily.

iii. Survival and Growth -Every business is a part of the society. So for its survival and growth, support from the society is very much essential.

iv. Employee satisfaction - The employers should try to fulfill all the expectation of the employees because employee satisfaction is directly related to productivity and it is also required for the long-term prosperity of the organization.

v. Consumer Awareness - Now-a-days consumers have become very conscious about their rights. This has made it obligatory for the business to protect the interest of the consumers by providing quality products at the most competitive price.

Responsibility towards Different Interest Groups

After getting some idea about the concept and importance of social responsibility of business let us look into the various responsibilities that a business has towards different groups with whom it interacts. The business generally interacts with owners, investors, employees, suppliers, customers, competitors, government and society. They are called as interest groups because by each and every activity of business, the interest of these groups is affected directly or indirectly.

i. Responsibility towards owners

Owners are the persons who own the business. They contribute capital and bear the business risks. The primary responsibilities of business towards its owners are to:

a. Run the business efficiently.

b. Proper utilisation of capital and other resources.

c. Growth and appreciation of capital.
d. Regular and fair return on capital invested.

ii. Responsibility towards investors

Investors are those who provide finance by way of investment in debentures, bonds, deposits etc. Banks, financial institutions, and investing public are all included in this category. The responsibilities of business towards its investors are:
a. Ensuring safety of their investment,
b. Regular payment of interest,
c. Timely repayment of principal amount.

iii. Responsibility towards employees

Business needs employees or workers to work for it. These employees put their best effort for the benefit of the business. So it is the prime responsibility of every business to take care of the interest of their employees. If the employees are satisfied and efficient, then the only business can be successful. The responsibilities of business towards its employees include:
a. Timely and regular payment of wages and salaries.
b. Proper working conditions and welfare amenities.
d. Opportunity for better career prospects.
e. Job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits, etc.
f. Better living conditions like housing, transport, canteen, crèches etc.
g. Timely training and development.

iv. Responsibility towards suppliers

Suppliers are businessmen who supply raw materials and other items required by manufacturers and traders. Certain suppliers, called distributors, supply finished products to the consumers. The responsibilities of business towards these suppliers are:
a. Giving regular orders for purchase of goods.
b. Dealing on fair terms and conditions.
c. Availing reasonable credit period.
d. Timely payment of dues.

v. Responsibility towards customers

No business can survive without the support of customers. As a part of the responsibility of business towards them the business should provide the following facilities:
a. Products and services must be able to take care of the needs of the customers.
b. Products and services must be qualitative
c. There must be regularity in supply of goods and services
Business Studies
d. Price of the goods and services should be reasonable and affordable.
e. All the advantages and disadvantages of the product as well as procedure to use the products must be informed do the customers.
f. There must be proper after-sales service.
g. Grievances of the consumers, if any, must be settled quickly.
h. Unfair means like under weighing the product, adulteration, etc. must be avoided.

vi. Responsibility towards competitors

Competitors are the other businessmen or organizations involved in a similar type of business.

Existence of competition helps the business in becoming more dynamic and innovative so as to make itself better than its competitors. It also sometimes encourages the business to indulge in negative activities like resorting to unfair trade practices. The responsibilities of business towards its competitors are

i. not to offer exceptionally high sales commission to distributers, agents etc.

ii. not to offer to customers heavy discounts and /or free products in every sale.

iii. not to defame competitors through false or ambiguous advertisements.

vii. Responsibility towards government

Business activities are governed by the rules and regulations framed by the government. The various responsibilities of business towards government are:

a. Setting up units as per guidelines of government

b. Payment of fees, duties and taxes regularly as well as honestly.

c. Not to indulge in monopolistic and restrictive trade practices.

d. Conforming to pollution control norms set up by government.

h. Not to indulge in corruption through bribing and other unlawful activities.

viii. Responsibility towards society

A society consists of individuals, groups, organizations, families etc. They all are the members of the society. They interact with each other and are also dependent on each other in almost all activities. There exists a relationship among them, which may be direct or indirect. Business, being a part of the society, also maintains its relationship with all other members of the society. Thus, it has certain responsibilities towards society, which may be as follows:

a. to help the weaker and backward sections of the society

b. to preserve and promote social and cultural values

c. to generate employment

d. to protect the environment

e. to conserve natural resources and wildlife

f. to promote sports and culture

g. to provide assistance in the field of developmental research on education, medical science, technology etc.

What do you mean by Business Ethics/ Values?

Business ethics is concerned with day to day behavior of business in a business situation. Business ethics is rapidly becoming an important subject of study replacing yesterday's "social responsibility of business."

In the words of **Robert Gueinner** and others, ***"Business ethics may be defined as those principles, practices and philosophies that are concerned with moral judgments and good conduct, as they are applicable to business situations."***

In the words of **Rogene A. Buchholz**, ***"Business ethics refers to right or wrong behavior in business decisions."*** Thus, business ethics relates to the behavior of a businessman in a business situation.

Characteristics or Assumption of Business Ethics & Values:

For the understanding business ethics, it is necessary to know its important characteristics there are :

(i) As a discipline.

(ii) It is art and science both.
(iii) Ethics is different from social morality.
(iv) Not based on emotions & sentiments.
(v) Business ethics is not affected by social approval or disapproval.
(vi) An ancient concept.
(vii) A universal philosophy.
(viii) Dynamic philosophy
(ix) Theology is the basis of business ethics.
(x) Study of goals and means.
(xi) Recognition of moral responsibility.
(xii) More greater than law.
(xiii) Different from social responsibility.
(xiv) Harmony between different roles

(xv) Good intention.

Scope of Business Ethics : The scope of business ethics or the issues in business ethics are as follows :
(i) Issues relating to objectives of Business.
(ii) Issues relating to employees.
(iii) Issues relating to competitive institutions.
(iv) Issues relating to Government.
(v) Issues relating to national interest.
(vi) Issues relating to owners of business.
(vii) Issues relating to customers

Issues relating to creditors.

(ix) Issues relating to local community.

"Do Good Ethics promote Good Business" explain?

Ans.: Well known authorities like Raymond Baum hart, Brener and moltander etc proves in their finding that only those business can exists on a long term basis which conduct their activities on ethical grounds. Their findings were supported by learned, doolby and Katz. At the same time, there is certain other who does not accept these findings that "good ethics promotes good business." Although they are few in numbers, their agreements cannot be overlooked.
The following paragraphs give the arguments in favor and against, "good ethics promotes good business."
Arguments in Favor : Some of the important arguments in favour is as follows :
(i) Satisfaction of sub conscious mind.
(ii) Goodwill of Business and Businessman
(iii) It increases Mutual Trust and confidence.
(iv) Sound Business Insurance.

(v) Helps in Professionalization of managemen.

(vi) Initiative for others.

(vii) Relieves from Tensions and worries.
(viii) Greater zeal and productivity.
(ix) Perpetual succession.
(x) Essential in the present situation.

Arguments against the view of "Good Ethics promote Good Business": The critics gives the following argument in support of their claim :
(i) No reward for ethical conduct.
(ii) No resistance from officers.
(iii) Demand of the day.
(iv) Difficult to decide in a situation of dilemma

Unit- 2

Define Entrepreneurship

Entrepreneurship is meant for the function of establishing and organizing a new enterprise and to start production process by raising, capital, hiring labor, obtaining raw material, and introducing new techniques of the production.
In the words of **Schumpeter**, ***"Entrepreneurship is an innovation function. It is leadership rather than ownership"***
In the words of **Rao** and **Mehta**, ***"Entrepreneurship can be described as creative and innovative response to the environment."***

Nature and Characteristics of Entrepreneurship: The definitions given above reveal the following characteristics of entrepreneurship:
(i) Entrepreneurship is the ability or urge to take risk.
(ii) Innovation
(iii) Business oriented tendency.
(iv) Creative activity.
(v) It involves dynamic leadership.
(vi) A function of high achievement.

Qualities of a successful Entrepreneur

Whether I'm out on the speaking circuit, working with startups, back in Ann Arbor teaching MBAs, or just socializing in a coffee shop, I'd say there's one question I'm hit with more than any other. It comes in different forms, but the essence of the question is the same: "What does it take to be a successful entrepreneur?"

1. Passionate: You need to be driven by a clear sense of purpose and passion. Typically, that passion comes from one of two sources: the topic of the business, or the game of business-building itself.

2. Resilient; If you're going to build a startup, you'll need a spirit of determination coupled with a high pain tolerance. You'll need to be willing and able to learn from your mistakes – to get knocked down repeatedly, get up, dust yourself off, and move forward with renewed motivation.

3. Self-Possessed: You need a strong sense of self. You can't be threatened by being surrounded by talented, driven people. To truly succeed, you'll need the self-confidence to surround yourself with people "who don't look like you"… that is, people with skills, background and domain knowledge that complement your own. And check your ego at the door: you shouldn't be too proud to make coffee for the team, empty the waste baskets, or do the bank runs.

4. Decisive: You'll need to develop a comfort-level with uncertainly and ambiguity. Entrepreneurs gather as much information as they can in a short period of time, and then MOVE, MOVE, MOVE!! The attitude is that it's not going to be perfect…

5. Fearless: On the sliding scale from "risk-averse" to "risk-seeking," it shouldn't surprise anyone that entrepreneurs tend to be closer to the latter. But you don't need to be a nut-case, the sort who bungee-jumps without a helmet. Smart entrepreneurs develop an intuitive ability to sniff out and mitigate startup business risk.

6. Financially Prepared: You'll need the right personal financial profile to make the leap. This doesn't mean that only the rich can be entrepreneurs. But unless and until you've got the personal financial 'runway' (ability to go without a steady paycheck and subsidized benefits) of at least 18 to 24 months (ideally longer), you might hold off on quitting your day job.

7. Flexible: I challenge you to find an entrepreneur running a startup four or more years old where that business doesn't differ dramatically from the vision sketched out in their original business plan.

8. Zoom Lens-Equipped: Can you 'pan out' to see a compelling big vision for your business, then 'zoom in' and focus on near-term startup goals? Successful entrepreneurs can facilely move back and forth between these two views. They're able to articulate the big picture, while simultaneously managing and executing to the 'zoom-in' picture.

9. Able to Sell: Whether you're a born extrovert or introvert, as a founder/CEO, you'll find yourself always selling. You can't delegate evangelism.

10. Balanced

You may not start out with a fool-proof gyroscope, but to survive as an entrepreneur, you'll need that strong sense of perspective.

Functions of Entrepreneur

An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise. According some economists, the functions of an entrepreneur is classified into five broad categories:

1. Risk-bearing function,
2. Organisational function,
3. Innovative function,
4. Managerial function, and
5. Decision making function.

1. Risk-bearing function:

The function of an entrepreneur as risk bearer is specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a loss.

2. Organisational Function:

An entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. In this way, he describes an entrepreneur as an organiser who alone determines the lines of business to expand and capital to employ more judiciously. He is the ultimate judge in the conduct of the business.

3. Innovative Function:

The basic function an entrepreneur performs is to innovate new products, services, ideas and information for the enterprise. Innovation may occur in any one of the following five forms.

1. The introductions of a new product in the market with which the customers are not get familiar with.
2. Introduction of a new method of production technology which is not yet tested by experience in the branch of manufacture concerned.
3. The opening of a new market into which the specific product has not previously entered.
4. The discovery of a new source of supply of raw material, irrespective of whether this source already exists or has first to be created.

5. The carrying out of the new form of oranisation of any industry by creating of a monopoly position or the breaking up of it.

4. Managerial Function:

Entrepreneur also performs a variety of managerial function like determination of business objectives, formulation of production plans, product analysis and market research, organisation of sales procuring machine and material, recruitment of men and undertaking, of business operations. He also undertakes the basic managerial functions of planning, organising, co-ordinating, staffing, directing, motivating and controlling in the enterprise

5. Decision Making Function:

The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise. A. H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.

1. He determines the business objectives suitable for the enterprise.
2. He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.
3. He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors and financiers.
4. He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.
5. He decides the development of a market for his product develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.
6. He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firm's image before others.

Alfred Weber's Theory of Industrial Location

Alfred Weber formulated a theory of industrial location in which an industry is located where the transportation costs of raw materials and final product is a minimum. He singled out two special cases. In one the weight of the final product is less than the weight of the raw material going into making the product. This is the weight losing case. In the other the final product is heavier than the raw materials that require transport. Usually this is a case of some ubiquitous (available everywhere) raw material such as water being incorporated into the product. This is called the weight-gaining case.

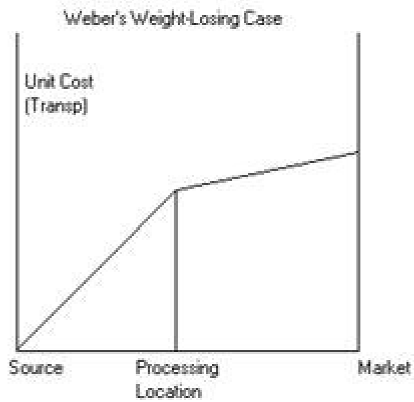


FIGURE 1

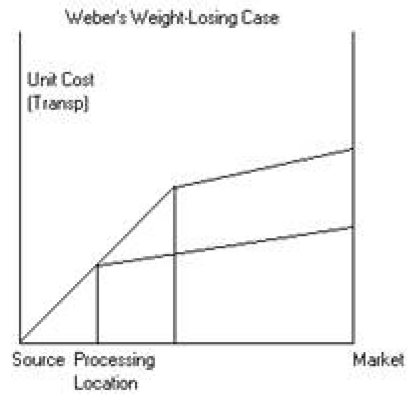


FIGURE 2

Figure 1 shows the situation in which the processing plant is located somewhere between the source and the market. The increase in transport cost to the left of the processing plant is the cost of transporting the raw material from its source. The rise in the transportation cost to the right of the processing plant is the cost of transporting the final product. Note the line on the left of the processing plant has a steeper slope than the one on the right.

Figure 2 shows the situation if the processing plant is moved closer to the source of raw material. Note that the transport cost of the final product delivered to the market is lower than in the previous location. The transportation cost for the product delivered to the market will be lowest of all if the processing plant is located at the source of the raw material, as shown in Figure 3.

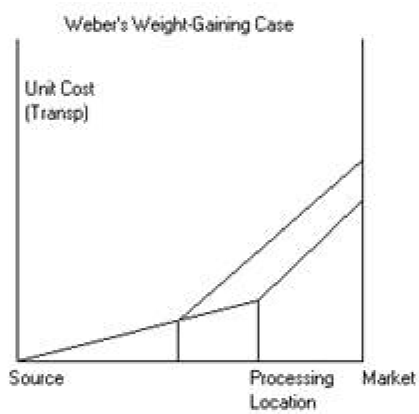


FIGURE 5

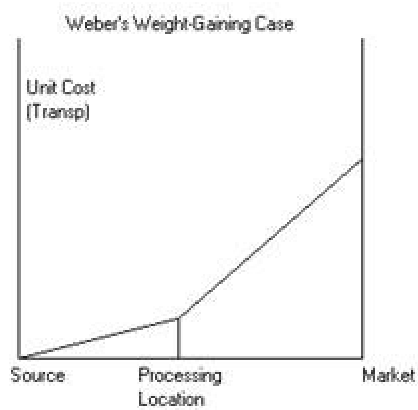


FIGURE 4

The weight gaining case is illustrated in Figures 4, 5 and 6. The optimal location of the processing plant in this case is at the market. Weber established that firms producing goods less bulky than the raw materials used in their production would settle near to the raw-material source. Firms producing heavier goods would settle near their market. The firm minimizes the weight it has to transport and, thus, its transport costs.

Govt Policy of Industrial location

A certain degree of concentration is inevitable in the location of industrial activity. Public policy cannot ignore the advantages of agglomeration and hence the aim of policy must be to develop viable industrial growth centers in backward regions. The natural tendency of industry to congregate together at certain locations implies that there is an intimate link between industrialization and urbanization.

- The experience of over seven decades proves that the formidable attraction of existing centres can be countered if an appropriate mix of infrastructure and entrepreneurship is made available at new centres.
- Planning for- industrialization and urbanization have to go together. A programme to disperse industries to new centres, the programme to develop medium sized towns and the objective of controlling metropolitan congestion –are complementary to each other.
- The essential elements of a policy for nindustrial "dispersal are first the need to direct industrial dispersal policies at a sufficient distance from existing centres, second, the importance of infrastructure development and the third need for coordinated effort.
- Industrial dispersal policy should encourage the location of industry in suitable growth centres with due weightage for such growth centres in the States which are industrially backward.
- The cost of providing the infrastructure will have to be minimized by selecting growth centre which are already sufficiently urbanised and have a good level of work of the infrastructure already in position. An existing urban centre with a population of 50,000 or more (as per the 1971 census) will have quite an amount of the necessary infrastructure. Provided urban- centres with reasonable existing facilities are selected it should be possible to develop 100 new industrial centres during the next 10 year period
- Three criteria should be used for the selection of eligible centres :
- i. They should have a population of 50,000 or more as per the 1971 census;
- ii. They should have less than 10,000 workers in non-household manufacturing as per the 1971 census;
- iii. They should not be near existing centres. "Existing Centres" may be defined as all centres with a level of employment in non-household manufacturing exceeding 10,000. Nearness may be defined in terms of the following cut-off distance from each
- **Category of existing centres**:
  Level of employment in non- Cut-off distance beyond which household manufacturing in new centres should be chosen existing centres as below

Over 150 thousand	150 kms
50—150 thousand	100 kms.
25—50 thousand	75 kms.
10—25 thousand	50 kms

.

- Starting with 100 eligible centres during this plan period and watching their pace of development there may be scope for increasing the number of such growth centres during the next plan period,
- The 100 selected centres may be distributed between the industrially development and industrially backward states in-the ratio 30:70. For this purpose developed states may be defined on the basis of the value added per capita in manufacturing in 1975-76 being

above the national average. On this basis Gujarat, Haryana, Maharashtra, Karnataka, Punjab, Tamil Nadu and West Bengal may be considered industrially more developed states. 10 Centres out of the'70 for the backward areas can be allotted to the hill states of Jammu and Kashmir and Himachal Pradesh, the north-east states (excluding Assam) and Union Territories. The balance may be distributed within each category, the share of each state being proportional to the area and population (with equal weights for both).

- The precise selection and phasing of development may be left to the states though the selection would have to fulfill the criteria of eligibility.
- States may be permitted to select centres with a population size less than 50,000 within their allotment if this is necessary in the interest of regional balance or from the point of view of economizing infrastructure costs.
- Without vigorous efforts on the part of state governments the preference in favour of backward. States may not amount much.
- . An Industrial Development Authority (IRA) should be set up for each selected centre.

Factors affecting the choice of location

Whatever the business, there are several general factors that influence the choice of location. These are:

Factor	**Comments**
Communications	This includes transport facilities (road, rail, air) as well as information infrastructure. Transport links are particularly important if the business delivers products, sells direct using a sales force or is dependent on import and export. Information technology is less of an issue these days – most start-ups can quickly establish reliable broadband Internet connections.
Labour	When a start-up needs to hire employees, then access to a reliable pool of staff with relevant skills is important. Businesses that are labour-intensive often look to locate in areas of traditionally low wages.
Market - customers & population	A start-up may need to be located near particular centres of population. For example, if the product is a service targeted at affluent older-aged people, then it is important to be located where there is a sufficient population of such people. Franchise businesses often analyse the population characteristics of a potential new territory before setting up in a new location.
Suppliers	The business may be dependent on supplies of a particular raw material, so costs will be lower if the business is located near the source of supply (e.g.

	where the raw material is grown or where a distributor is based). This factor tends to be more important for manufacturing businesses rather than service businesses.
Government assistance	Government policy has often been designed to influence the locations of new businesses. If the start-up is "location-independent" (i.e. the other factors above don't really make a difference to the choice of location), then it may be that deals and incentives offered by Government can influence the choice. Some poorer areas of the UK are designated as "assisted areas". These include many parts of north-east England, Wales, East Yorkshire, Cornwall etc. Locating a new business in one of these areas potentially makes government grants and loans available.

There is no magic formula which can be applied to decide the most important factors in choosing a location.

Where two possible locations have been identified, it might be that the availability of government grants or other incentives is the deciding factor.

Making a choice of location involves drawing up a list of criteria of what the start-up is looking for from business premises and then using qualitative judgement about what will work best.

Forms of Business Organization

1. Sole Proprietorship

A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.

Advantages of a Sole Proprietorship

- **Easy and inexpensive to form**: A sole proprietorship is the simplest and least expensive business structure to establish. Costs are minimal, with legal costs limited to obtaining the necessary license or permits.
- **Complete control**. Because you are the sole owner of the business, you have complete control over all decisions. You aren't required to consult with anyone else when you need to make decisions or want to make changes.

- **Easy tax preparation**. Your business is not taxed separately, so it's easy to fulfill the tax reporting requirements for a sole proprietorship. The tax rates are also the lowest of the business structures.

Disadvantages of a Proprietorship

- **Unlimited personal liability**. Because there is no legal separation between you and your business, you can be held personally liable for the debts and obligations of the business. This risk extends to any liabilities incurred as a result of employee actions.
- **Hard to raise money**. Sole proprietors often face challenges when trying to raise money. Because you can't sell stock in the business, investors won't often invest. Banks are also hesitant to lend to a sole proprietorship because of a perceived lack of credibility when it comes to repayment if the business fails.
- **Heavy burden**. The flipside of complete control is the burden and pressure it can impose. You alone are ultimately responsible for the successes and failures of your business.

2. **Partnership Firm**

Partnership is defined as a relation between two or more persons who have agreed to share the profits of a business carried on by all of them or any of them acting for all. The owners of a partnership business are individually known as the "partners" and collectively as a "firm".

The Indian Partnership Act, 1932 defines partnership as – "A Partnership is the relation between two or more persons who have agreed to share the profits of a business carried on by all or any of them acting for all". Thus it is an association of persons to carry on a business as co-owners for profit.

Kinds of partnership

The partnership business can be broadly divided into two groups- General Partnership and Limited Partnership. Viewed from the duration point, the general partnership may again be sub-divided into three kinds –

1.**Partnership for a fixed term (period)**

Partnership for fixed term: It is entered into for a fixed period. When period is over, the Partnership can be put to an end.

2. **Particular Partnership**

Particular Partnership: It is a partnership formed for taking up a particular adventure or undertaking. It comes to an end as that particular adventure or undertaking is completed.

3.**Partnership at will**

Partnership at will: It is a partnership having no provision relating to duration. It may be dissolved by any partner, by giving notice in writing to all the other partners of his intension to dissolve the firm. He can do so at any time.

The Indian Partnership Act, 1932 defines partnership as – "A Partnership is the relation between two or more persons who have agreed to share the profits of a business carried on by all or any of them acting for all". Thus it is an association of persons to carry on a business as co-owners for profit.

Features of Partnership:
Following can be listed as the salient features of partnership based on the statutory definition.

1. Contractual Relation: There must be an agreement between the partners.
2. Plurality of Individuals: The partnership must be an association of two or more persons. As per the Indian Companies Act, 1956, the number of partners shall not exceeded 10 in the case of Banking Partnerships and 20 in the case of general partnerships.
3. Sharing of profits and losses: There must be sharing of profits or losses of the business.

4. Presence of lawful business: There must be an intention to carry on a business (not merely holding of property in joint ownership) in a lawful way.

5. Existence of the Principal-Agent relationship: The business must be 'carried on by all of them or any of them acting for all'. Thus, an 'implied agency' relation exists.

6. Unlimited liability: The partners are liable to an unlimited extent jointly as well as severally for all the debts and obligations of the firm.

7. Utmost good faith: A partnership can survive only if all the partners can act with utmost good faith and selflessness.
8. Restriction of transfer of interest: (Minority interest is protected) No partner can transfer his share in the partnership to anybody without the unanimous consent of other co-partners.

9. No separate legal entity: A partnership is regarded as purely a personal organisation; because it has no separate or distinct legal entity from the partners.

Advantages of partnership

When we make an attempt to compare the partnership with sole proprietorship, the following appear to be the chief merits of a partnership as a form of business organisation.

1. Higher capital raising capacity: Hence, the amount of capital will be much higher than what it could be in case of a sole proprietorship.

2. Higher borrowing capacity: it can secure much larger amount or credit than the amount of actual capital invested in the business by the partners.

3. Division of labor: It is possible to get the maximum advantage of specialisation by a judicious division of responsibility and allocation of duties among the partners on the basis of their respective learning, aptitudes and capabilities.

4. Higher managerial capacity: Due to combined abilities of the partners it possesses higher managerial capacity. The experience and skill of each partner can be pooled to the common benefit of the firm. This ensures better management of the business.

5. Balanced decisions: Furthermore, the decisions that are arrived at in a partnership will be generally well balanced because of the partners providing, among themselves, various sorts of talents necessary for handling the problems of the firm

6. Lighter risk due to sharing of losses: Any loss that is incurred by the firm will be shared by all the partners. Therefore, the share of loss of each partner will naturally be less than what it would be in case of sole proprietorship.

7. Simple Formation: A partnership can be formed quite easily. An agreement among the partners is enough.

8. Flexibility in operation: The working of the firm is quite flexible because there are no hard and fast legal restrictions coming in the way of the manner and mode of the actual management of the day-to-day business of the firm.

9. Fair balance between responsibility and reward: Since the powers of management and control are evenly placed in the hands of the partners.

10. Personal supervision: Partners can look after the business personally (as long as its size is quite handy) in order to minimize wastage of all types.

11. Economy in management costs: there is no need to make any fixed payments by way of either salaries or fees and penalties in the office of Registrar of Joint stock companies. For instance, a company has to pay the salary of its manager, even if there are loses.

12. Cautions and sound approach: Since the liability of each partner is unlimited, joint and several, the partners tend to be cautious.

13. Protection of minority interests: The minority interest in a partnership is adequately

protected by law.
14. Prompt decisions: Partners can take prompt decisions: because, they meet very frequently. Thus, a partnership can take advantage of sudden business opportunities, and unexpected changes in the market trend.

15. Better public relations: When there is perfect unanimity among the partners, they can definitely create such a vast amount of goodwill as to pave its way towards its steady progress.
16. Maintaining business secrets: most of the affairs of the partnership can be kept secret or confidential.
17. Simple dissolution: The end of the life of a partnership is quite easy, as it involves a very simple process. Generally, the deed of partnership itself provides simple regulations for the dissolution of the firm.

Disadvantages:
Despite the various advantages cited above, a partnership suffers from many disadvantages also, particularly when we compare it with sole- proprietorship and a company form of business organization. Followings are the important disadvantages of the partnership as compare to the sole- proprietorship:

1. Lack of centralized control and organizing power: The managerial powers are vested in all the partners.

2. Mutual conflicts Frequent quarrels and clashes of interests and views between the partners may create an atmosphere of mutual suspicion and distrust.
3. Risk arising out of the implied authority: A partner is an agent of the firm and his co-partners. Hence, he can bind the firm and his co-partners by all his deals with outsiders.

4. Insufficient resources: As a banking partnership cannot have more than 10 partners and a general partnership cannot have more than 20 partners, it will be difficult for a partner to raise adequate capital for expanding the business beyond a particular limit.
5. Dangers of unlimited liability: As the liability of the partners is unlimited and joint and several, the partners tend to play safe and pursue unduly conservative policies.

6. Absence of separate legal status and instability: The continuity of partnership is too uncertain because even the death, insolvency, insanity or permanent incapacity of one of the partners may leads to the dissolution of the entire firm.

7. Non-transferability of capital or interest: No partner can transfer his interest in the firm of anybody without the unanimous consent of all his co-partners.

8. Lack of public confidence: The affairs of a partnership are not subject to any stricter legal control. A partnership firm is not required to publish its accounts. It results in lack of public confidence.

Partnership Deed

A partnership is formed by an agreement, which may be either written or oral. When the written agreement is duly stamped and registered, it is known as "Partnership Deed". Ordinarily, the rights, duties and liabilities of partners are laid down in the deed. But in the case where the deed does not specify the rights and obligations, the provisions of the **THE INDIAN PARTNERSHIP ACT, 1932** will apply. The deed, generally contains the following particulars:-

- Name of the firm.
- Nature of the business to be carried out.
- Names of the partners.
- The town and the place where business will be carried on.
- The amount of capital to be contributed by each partner.
- Loans and advances by partners and the interest payable on them.
- The amount of drawings by each partner and the rate of interest allowed thereon.
- Duties and powers of each partner.
- Any other terms and conditions to run the business.

Joint Hindu Family Business

Joint Hindu Family Business is a distinct type of organisation which is unique to India. Even within India its existence is restricted to only certain parts of the country. In this form of business ownership, all members of a Hindu undivided family do business jointly under the control of the head of the family who is known as the 'Karta'. The members of the family are known as 'Co-parceners'. Thus, the Joint Hindu Family firm is a business owned by co-parceners of a Hindu undivided estate**. Its main features are** :-

- It comes into existence by the operation of Hindu law and not out of contract. The rights and liabilities of co-parceners are determined by the general rules of the Hindu law.
- The membership of this form of business is the result of status arising from the birth in the family and its legality is not affected by the minority. Originally, only three successive generations in the male line (grandfather, father and son) constituted the membership of this organisation. By the Hindu Succession Act, a female relative of a deceased member or a male relative of such a female member was made eligible for a share in the interest of the related member (called co-parcener) at the time of his death. There is no legal limit to the maximum number of members.
- Registration is unnecessary, but the right of its members to sue third parties for claims of debt remains unaffected.
- It is managed generally by the Karta. He has the authority to obtain loans against the family property or in other ways. Other members have no right of management nor to

contract loans binding on the joint-family property.
- The manager or the Karta has the last word in the formulation of all policies and in their execution. He has unquestioned authority in the conduct of the family business.
- The Karta has unlimited liability while the liability of the other members is limited to the value of their individual interests in the joint family.
- The firm enjoys continuity of operations as its existence is not subject to the death or insolvency of a co-parcener or even of the Karta himself. Thus, it has a perpetual life like the public limited company.

Advantages

- Ease of formation
- Continuity of operations

Disadvantages

- Confined to Joint Hindu families
- Relatively limited capital
- Limited managerial talents
- Unlimited liability of the Karta

Co-operative Organization

The term co-operation is derived from the Latin word co-operari, where the word co means 'with' and *operari* means 'to work'. Thus, co-operation means working together.
So those who want to work together with some common economic objective can form a society which is termed as "co-operative society". It is a voluntary association of persons who work together to promote their economic interest. It works on the principle of self-help as well as mutual help. The main objective is to provide support to the members. Nobody joins a cooperative society to earn profit. People come forward as a group, pool their individual resources, utilize them in the best possible manner, and derive some common benefit out of it.

Objectives of Cooperative Society

1. Render service rather than making profit
2. Mutual help instead of competition
3. Self help instead of dependence

Types of Co-operative Societies

Although all types of cooperative societies work on the same principle, they differ with regard to the nature of activities they perform. Followings are different types of co-operative societies that exist in our country.
1. Consumers' Co-operative Society: These societies are formed to protect the interest of general consumers by making consumer goods available at a reasonable price.
They buy goods directly from the producers or manufacturers and thereby eliminate the middlemen in the process of distribution. Kendriya Bhandar, Apna Bazar and Sahkari Bhandar

are examples of consumers' co-operative society.

2. Producers' Co-operative Society: These societies are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipments, machinery, etc. Handloom societies like APPCO,
Bayanika, Haryana Handloom, etc., are examples of producers' co-operative society.

3. Co-operative Marketing Society: These societies are formed by small producers and manufacturers who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in the market. Gujarat Co-operative Milk Marketing Federation that sells AMUL milk products is an example of marketing co-operative society.

4. Co-operative Credit Society: These societies are formed to provide financial support to the members. The society accepts deposits from members and grants them loans at reasonable rates of interest in times of need. Village Service Co-operative
Society and Urban Cooperative Banks are examples of co-operative credit society.

5. Co-operative Farming Society: These societies are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming. Lift-irrigation cooperative societies and *pani-panchayats* are some of the examples of co-operative farming society.

6. Housing Co-operative Society: These societies are formed to provide residential nhouses to members. They purchase land, develop it and construct houses or flats and allot the same to members. Some societies also provide loans at low rate of interest to members to construct their own houses. The Employees' Housing Societies and Metropolitan
Housing Co-operative Society are examples of housing co-operative society.

Characteristics of Co-operative Society

i. Open membership: The membership of a Co-operative Society is open to all those who have a common interest.

ii. Voluntary Association: Members join the co-operative society voluntarily, that is, by choice.

iii. State control: To protect the interest of members, co-operative societies are placed under state control through registration.

.

iv. Sources of Finance: In a co-operative society capital is contributed by all the members.

v. Democratic Management: Co-operative societies are managed on democratic lines. Each member has a single vote, irrespective of the number of shares held

iv. Service motive: The main purpose of a Co-operative Society is to provide service to its members. For example, in a Consumer Co-operative Store, goods are sold to its members at a reasonable price by retaining a small margin of profit. It also provides better quality goods to its members and the general public.

v. Separate Legal Entity: A Co-operative Society is registered under the Co-operative
Societies Act. After registration a society becomes a separate legal entity, with limited liability of its members.

vi. Distribution of Surplus:

Profit generated is distributed to its members not on the basis of the shares held by the members (like the company form of business), but on the basis of members' participation in the business of the society

vii. Self-help through mutual cooperation: Co-operative Societies thrive on the principle of mutual help. It is only by working jointly on the principle of "Each for all and all for each", the members can fight exploitation and secure a place in society.

Advantages

- Easy formation
- Open membership
- Democratic Control
- Limited Liability
- Elimination of Middleman's Profit
- State Assistance
- Stable Life

Disadvantages

- Limited Capital
- Problems in Management
- Lack of Motivation
- Lack of Cooperation
- Dependence on Government

Suitability of Co-operative Societies

You have learnt that the main objective of co-operative form of business organization is to provide service rather than to earn profit. The co-operative society is the only alternative to protect the weaker sections of the society and to promote the economic interest of the people. In certain situations when it is not possible to achieve the target by individual effort,
Business Studies collective effort in the form of a co-operative society is preferred. Housing co-operatives, Marketing co-operatives, etc., are formed to achieve the common economic objectives of the members. Generally co-operative society is suitable for small and medium size business operation. However, large scale co-operative societies like IFFCO, KRIBHCO etc. are also found in India.

Concept of Company

A company is a legal person, since in the eyes of law it is capable of having legal rights and boligations just like a natural person. Like any other person it can acquire and own property, transfer property, enter into contracts and sue and be sued in its own name. Being a legal person, a company has a separate legal entity, a personality distinct from its members or shareholders.

Characteristics of a Company

Registration and Legal Entity:
A company must be registered. It is an artificial person created by law. A company is a distinct legal entity and distinct from its members.

Limited Liability:
The liability of the members of a company having share capital is limited to the extent of the nominal value of the shares held by them. Shareholder cannot be called upon to pay more than the unpaid value of his shares, whatever may be the level of indebtedness of the company. In the

case of a guarantee company, the liability of members is limited to such amount as the members may undertake to contribute to the assets of the company.

Separate Property:
A company has every right to acquire as well as transfer property in its own name, as it is a legal person. No shareholder has any legal or equitable interest in the property of the company.

Perpetual Succession:
A company has a perpetual succession. In spite of a change in the membership of the company its continuity is not affected. It is said, 'men may come and go, but the Company goes for ever.

Common Seal:
The Company being an artificial person cannot sign its name on a contract. The common seal is used as a substitute for its signature. The common seal bears the name and place of the company, and date of its incorporation engraved on it.

Transferability of Shares:
The shares of a company are freely transferable except in the case of a private company.

Capacity to sue and be sued:
As legal person it can sue and be sued in its own name

Choice of a suitable form of Organization

The choice of a suitable form of organization is an important problem which the entrepreneur has to deal with. No single form of organization will be suitable for all types of businesses. Some important factors, which influence the choice of a suitable form of organization, are discussed as follows:

1**. Requirement of Capital**: Capital is the most important factor considered in the choice of form of a business organization. The need for capital will depend upon the nature of business and scale of operations The form of organization should be such that it is able to provide required funds. A sole trade business will be suitable if capital requirements are less. A partnership concern may be able to meet the capital needs of a medium size unit. A joint stock company will be suitable if capital requirements are large. A sole-trade concern and a partnership firm have limited capacities for raising funds. So, capital requirements will directly influence the choice of the form of organization.
2. **Managerial and administrative requirements**: When the concern is small and it caters to local needs only, the single person will be enough to manage the business. Sole- proprietorship form of organization will be suitable for such a business. If the business spreads to other areas, then more persons will be needed to look after various business activities. Partnership form of organization will be suitable for such enterprises. Then partners will be able to look various business functions. When a business is run on a large- scale basis, it will require the services of specialists to manage various departments. The company form of organization will be most suitable for such concerns.

3**. Liability**: In sole trade and partnership business the liability of owners is unlimited. In case of companies the liability of shareholders is limited The units involving less risk may be started as sole-trade or partnership concerns. A company has large number of persons. The risk bearing capacity of a sole-trader and partners will be limited.

4. Continuity:. The company form of organizations is only form which ensures stability and continuity. A company form of organization will be suitable if stability of operations is essential.
5. **Tax Liability**: A joint stock company has more tax liability as compared to a sole-trade business and a partnership firm. A small scale concern will be able to avoid higher tax liability.
6. **Government Regulations**: A company is expected to provide large number of information to the government every year. It has to use the services of experts to meet statutory requirements of various laws. A sole-trade business is not expected to meet any legal requirement. Similarly, a partnership concern is also free from government regulations. Even the registration of a firm is not compulsory.
7. **Nature of Business Activities:**. If a concern deals with local market, a seasonal product or perishable goods, then sole-trade business will be suitable. The capital requirements of such a concern will be less and scale of operations will be small. On the other hand, if the concern caters to large markets and the scale of operation is large, then company form of organization will be useful. If the primary aim of a concern is to serve its members, then a co-operative society will be most suitable.
8. **Relationship between Ownership and Management**: There is a direct relationship between ownership and management in sole-trade concerns and partnership firms. In company form of organization, management and ownership are in two different hands When the investors want to retain management in their own hands, then partnership or sole-trade form of organization will be suitable. If the investors do not have much time for the business and they want to make investment only then company form of organization will be suitable.

9. Ease in Formation: The nature and extent of formalities required at the time of establishing a concern also influences the decision about the form of organization. A joint stock company requires the services of qualified persons for getting it registered. It involves a lot of money at the time of incorporation too. On the other hand, a sole-trade business can be started at any time without going through much formality. If the owners are not ready to go through various formalities they cannot start a company.

So, all the above mentioned factors influence the choice of the forms of organization. This decision should be taken very carefully because it will be very difficult to change the form of organization later on. This decision should not be based on present consideration only but future possibilities should also be taken into account.

Types of Companies

1. **"Private company"** is defined in **section 3(1)(iii)** of the Act and it means a company which has a minimum paid-up capital of one lakh rupees or such higher paid-up capital as may be prescribed, and by its articles,

a. restricts the right to transfer its shares, if any;
b. limits the number of its members to fifty (50) not including —

i. persons who are in the employment of the company; and
ii. persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased; and

c. prohibits any invitation to the public to subscribe for any shares in, or debentures of, the company; and
d. prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives ;

2. **"Public company"** is defined in **section 3(1)(iv)** of the Act and it means a company which —

a. is not a private company;
b. has a minimum paid-up capital of five lakh rupees or such higher paid-up capital, as may be prescribed;
c. is a private company which is a subsidiary of a company which is not a private company.

3. **"Government company"** is defined in **section 617** of the Act and it means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government company as thus defined.

4. **"Foreign company**" is defined in **section 591** of the Act and it means a company which

a. is incorporated outside India and
b. has established a place of business within India.

5. **"Company limited by guarantee"** is defined in **section 12(2)(b)** of the Act and it means a company having the liability of its members limited by the memorandum to such amount as the members may respectively undertake by the memorandum to contribute to the assets of the company in the event of its being wound up.
6. **Unlimited Company"** is defined in **section 12(2)(c)** of the Act and it means a company not having any limit on the liability of its members. The liability of a member extends to the whole amount of company's debts and liabilities but the member will be entitled to

claim contribution from other members. The Memorandum and Articles of such company is as per Table E of Schedule I of the Act.

7. **"Producer Company"** is defined in **section 581A** of the Act and it means a body corporate having objects or activities specified in **section 581B** and registered as Producer Company under this Act.

8. **Companies with license under section 25**

   Where it is proved to the satisfaction of the Central Government that an association— is about to be formed as a limited company for promoting commerce, art, science, religion, charity or any other useful object, and Such companies are generally associations, clubs or chambers of commerce.

9. **Holding & Subsidiary Company**

According to **Sec. 2(19)** "holding company" means a holding company within the meaning of section 4 of the Act;

According to **Sec. 2(47)** "subsidiary company" or "subsidiary" means a subsidiary company within the meaning of Section 4 of the Act.

10. **Limited Liability Partnership (LLP)**

It may be noted that LLP is not a Company under the Companies Act, 1956 but it is defined under section 2(1)(n) of the Limited Liability Partnership Act, 2008 as a "partnership formed and registered under the Limited Liability Partnership Act, 2008".

11. **Vanishing Companies (applicable in case of Public Listed Companies)**

A Vanishing Company is one which has

- Failed to file returns with Stock Exchange (if listed) & with ROC for 2 years.
- None of the Directors are traceable.
- Not maintaining the registered office at the address provided with ROC & Stock Exchange.

Promotion of A Company

Refers to the entire process by which a company is brought into existence. It starts with the conceptualization of the birth a company and determination of the purpose for which it is to be formed. The persons who conceive the company and invest the initial funds are known as the promoters of the company. The promoters enter into preliminary contracts with vendors and make arrangements for the preparation, advertisement and the circulation of prospectus and placement of capital. However, a person who merely acts in his professional capacity on behalf of the promoter (eg lawyer, CA, etc) for drawing up the agreement or other documents or prepares the figures on behalf of the promoter and who is paid by the promoter is not a promoter.

The promoters have certain basic duties towards the company formed:-

1. He must not make any secret profit out of the promotion of the company. Secret profit is made by entering into a transaction on his own behalf and then sells to concerned property to the company at a profit without making disclosure of the profit to the company or its members. The promoter can make profits in his dealings with the company provided he discloses these profits to the company and its members. What is not permitted is making secret profits i.e. making profits without disclosing them to the company and its members.
2. He must make full disclosure to the company of all relevant facts including to any profit made by him in transaction with the company.

In case of default on the part of the promoter in fulfilling the above duties, the company may :-

1. Rescind or cancel the contract made and if he has made profit on any related transaction, that profit also may be recovered
2. Retain the property paying no more for it then what the promoter has paid for it depriving him of the secret profit.
3. If these are not appropriate (eg cases where the property has altered in such a manner that it is not possible to cancel the contract or where the promoter has already received his secret profit), the company can sue him to for breach of trust. Damages upto the difference between the market value of the property and the contract price can be recovered from him.

A promoter may be rewarded by the company for efforts undertaken by him in forming the company in several ways. The more common ones are :-

1. The company may to pay some remuneration for the services rendered.
2. The promoter may make profits on transactions entered by him with the company after making full disclosure to the company and its members.
3. The promoter may sell his property for fully paid shares in the company after making full disclosures.
4. The promoter may be given an option to buy further shares in the company.
5. The promoter may be given commission on shares sold.
6. The articles of the Company may provide for fixed sum to be paid by the company to him. However, such provision has no legal effect and the promoter cannot sue to enforce it but if the company makes such payment, it cannot recover it back.

If the promoter fails to disclose the profit made by him in course of promotion or knowingly makes a false statement in the prospectus whereby the person relying on that statement makes a loss, he will be liable to make good the loss suffered by that other person. The promoter is liable for untrue statements made in the prospectus. A person who subscribes for any shares or debenture in the company on the faith of the untrue statement contained in the prospectus can sue the promoter for the loss or damages sustained by him as the result of such untrue statement.

Incorporation /Registration of company:
The promoters must make a decision regarding the type of company i.e a public company or a private company or an unlimited company, etc and accordingly prepare the documents for incorporation of the company. In this connection the Memorandum and Articles of Association (MA & AA) are crucial documents to be prepared.

Memorandum of Association of a company:
Is the constitution or charter of the company and contains the powers of the company. No company can be registered under the Companies Act, 1956 without the memorandum of association. Under Section 2(28) of the Companies Act, 1956 the memorandum means the memorandum of association of the company as originally framed or as altered from time to time in pursuance with any of the previous companies' law or the Companies Act, 1956.

The memorandum of association should be in any of the one form specified in the tables B, C,D and E of Schedule 1 to the Companies Act, 1956. Form in Table B is applicable in case of companies limited by the shares, form in Table C is applicable to the companies limited by guarantee and not having share capital, form in Table D is applicable to company limited by guarantee and having a share capital whereas form in table E is applicable to unlimited companies.

Contents of Memorandum:
The memorandum of association of every company must contain the following clauses :-

Name clause
the name of the company is mentioned in the name clause. A public limited company must end with the word 'Limited' and a private limited company must end with the words 'Private Limited'. The company cannot have a name which in the opinion of the Central Government is undesirable. A name which is identical with or the nearly resembles the name of another company in existence will not be allowed. A company cannot use a name which is prohibited under the Names and Emblems (Prevention of Misuse Act, 1950 or use a name suggestive of connection to government or State patronage.

Domicile clause
The state in which the registered office of company is to be situated is mentioned in this clause. If it is not possible to state the exact location of the registered office, the company must state it provide the exact address either on the day on which commences to carry on its business or within 30 days from the date of incorporation of the company, whichever is earlier. Notice in form no 18 must be given to the Registrar of Companies within 30 days of the date of incorporation of the company. Similarly, any change in the registered office must also be intimated in form no 18 to the Registrar of Companies within 30 days. The registered office of

the company is the official address of the company where the statutory books and records must be normally be kept. Every company must affix or paint its name and address of its registered office on the outside of the every office or place at which its activities are carried on in. The name must be written in one of the local languages and in English.

Objects clause
this clause is the most important clause of the company. It specifies the activities which a company can carry on and which activities it cannot carry on. The company cannot carry on any activity which is not authorized by its MA. This clause must specify :-

i. Main objects of the company to be pursued by the company on its incorporation
ii. Objects incidental or ancillary to the attainment of the main objects
iii. Other objects of the company not included in (i) and (ii) above.

In case of the companies other than trading corporations whose objects are not confined to one state, the states to whose territories the objects of the company extend must be specified.

Doctrine of the ultra-vires Any transaction which is outside the scope of the powers specified in the objects clause of the MA and are not reasonable incidentally or necessary to the attainment of objects is ultra-vires the company and therefore void. No rights and liabilities on the part of the company arise out of such transactions and it is a nullity even if every member agrees to it.

Consequences of an ultravires transaction:-

1. The company cannot sue any person for enforcement of any of its rights.
2. No person can sue the company for enforcement of its rights.
3. The directors of the company may be held personally liable to outsiders for an ultra vires

However, the doctrine of ultra-vires does not apply in the following cases :-

1. If an act is ultra-vires of powers the directors but intra-vires of company, the company is liable.
2. If an act is ultra-vires the articles of the company but it is intra-vires of the memorandum, the articles can be altered to rectify the error.
3. If an act is within the powers of the company but is irregularly done, consent of the shareholders will validate it.
4. Where there is ultra-vires borrowing by the company or it obtains deliver of the property under an ultra-vires contract, then the third party has no claim against the company on the basis of the loan but he has right to follow his money or property if it exist as it is and obtain an injunction from the Court restraining the company from parting with it provided that he intervenes before is money spent on or the identity of the property is lost.
5. The lender of the money to a company under the ultra-vires contract has a right to make director personally liable.

Liability clause A declaration that the liability of the members is limited in case of the company limited by the shares or guarantee must be given. The MA of a company limited by guarantee must also state that each member undertakes to contribute to the assets of the company such amount not exceeding specified amounts as may be required in the event of the liquidation of the company. A declaration that the liability of the members is unlimited in case of the unlimted companies must be given. The effect of this clause is that in a company limited by shares, no member can be called upon to pay more than the uncalled amount on his shares. If his shares are already fully paid up, he has no liabilty towards the company.

The following are exceptions to the rule of limited liability of members:-

1. If a member agrees in writing to be bound by the alteration of MA / AA requiring him to take more shares or increasing his liability, he shall be liable upto the amount agreed to by him.
2. If every member agrees in writing to re-register the company as an unlimited company and the company is re-registered as such, such members will have unlimited liability.
3. If to the knowledge of a member, the number of shareholders has fallen below the legal minimum, (seven in the case of a public limited company and two in case of a private limited company) and the company has carried on business for more than 6 months, while the number is so reduced, the members for the time being constituting the company would be personally liable for the debts of the company contracted during that time.

Capital clause The amount of share capital with which the company is to be registered divided into shares must be specified giving details of the number of shares and types of shares. A company cannot issue share capital greater than the maximum amount of share capital mentioned in this clause without altering the memorandum.

Association clause A declaration by the persons for subscribing to the Memorandum that they desire to form into a company and agree to take the shares place against their respective name must be given by the promoters.

Articles of Association

The Articles of Association (AA) contain the rules and regulations of the internal management of the company. The AA is nothing but a contract between the company and its members and also between the members themselves that they shall abide by the rules and regulations of internal management of the company specified in the AA. It specifies the rights and duties of the members and directors.

The provisions of the AA must not be in conflict with the provisions of the MA. In case such a conflict arises, the MA will prevail.

Normally, every company has its own AA. However, if a company does not have its own AA, the model AA specified in Schedule I - Table A will apply. A company may adopt any of the model forms of AA, with or without modifications. The articles of association should be in any of the one form specified in the tables B, C, D and E of Schedule 1 to the Companies Act, 1956. Form in Table B is applicable in case of companies limited by the shares, form in Table C is applicable to the companies limited by guarantee and not having share capital, form in Table D is applicable to company limited by guarantee and having a share capital whereas form in table E is applicable to unlimited companies. However, a private company must have its own AA.

The important items covered by the AA include:-

1. Powers, duties, rights and liabilities of Directors
2. Powers, duties, rights and liabilities of members
3. Rules for Meetings of the Company
4. Dividends
5. Borrowing powers of the company
6. Calls on shares
7. Transfer & transmission of shares
8. Forfeiture of shares
9. Voting powers of members, etc

Alteration of articles of association: A company can alter any of the provisions of its AA, subject to provisions of the Companies Act and subject to the conditions contained in the Memorandum of association of the company. A company, by special resolution at a general meeting of members, alters its articles provided that such alteration does not have the effect of converting a public limited company into a private company unless it has been approved by the Central Government.

The articles must be printed, divided into paragraphs and numbered consequently and must be signed by each subscriber to the Memorandum of Association who shall add his address, description and occupation in presence of at least one witness who must attest the signature and likewise add his address, description and occupation. The articles of association of the company when registered bind the company and the members thereof to the same extent as if it was signed by the company and by each member.

Registration of the Company

Once the documents have been prepared, vetted, stamped and signed, they must be filed with the Registrar of Companies for incorporating the Company. The following documents must be filed in this connection :-

1. The MA & AA
2. An agreement, if any, which the company proposes to, enter into with any individual for appointment as its managing director or whole-time director or manager.
3. A statutory declaration in Form 1 by an advocate, attorney or pleader entitled to appear before the High Court or a company secretary or Chartered Accountant in whole - time practice in India who is engaged in the formation of the company or by a person who is named as a director or manager or secretary of the company that the requirements of the

Companies Act have been complied with in respect of the registration of the company and matters precedent and incidental thereto.

4. In addition to the above, in case of a public company, the following documents must also be filed :-

    i. Written consent of directors in Form 29 to agree to act as directors
    ii. The complete address of the registered office of the company in Form 18
    iii. Details of the directors, managing director and manager of the company in Form 32.

Certificate of Incorporation

once all the above documents have been filed and they are found to be in order, the Registrar of Companies will issue Certificate of Incorporation of the Company. This document is the birth certificate of the company and is proof of the existence of the company. Once, this certificate is issued then company cannot cease its existence unless it is dissolved by order of the Court.

IV. Commencement of Business

A private company or a company having no share capital can commence its business immediately after it has been incorporated. However, other companies can commence their activities only after they have obtained Certificate of Commencement of Business. For this purpose, the following additional formalities have to be complied with:-

1. If a company has share capital and has issued a prospectus, then:-

    a. Shares up to the amount of minimum subscription must be allotted
    b. Every director has paid to the company on each of the shares which he has taken the same amount as the public have paid on such shares
    c. No money is or may become payable to the applicants of shares or debentures for failure to apply for or to obtain permission to deal in those shares or debentures in any recognized stock exchange.
    d. A statutory declaration in Form 19 signed by one director or the employee - company secretary or a Company secretary in whole time practice that the above provisions have been complied with must be filed

2. If a company has share capital but has not issued a prospectus, then:-

    a. It must file a statement in lieu of prospectus with the Registrar of Companies
    b. Every director has paid to the company on each of the shares which he has taken the same amount as the other members have paid on such shares
    c. A statutory declaration in Form 20 signed by one director or the employee - company secretary or a Company secretary in whole time practice that the above provisions have been complied with must be filed

Once the above provisions have been complied with, the Registrar of Companies grants "Certificate of Commencement of Business" after which the company can commence its activities.

Unit -3

Definitions of Micro, Small & Medium Enterprises

In accordance with the provisions of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, the Micro, Small and Medium Enterprises (MSME) are classified into two Classes:

(a) Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

(b) Service Enterprises: The enterprises engaged in providing or rendering of services defined in terms of investment and are in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under:

Manufacturing Sector	
Enterprises	**Investment in Plant & Machinery**
Micro Enterprises	Does not exceed twenty five lakh rupees.
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees.
Service Sector	
Enterprises	**Investment in Equipments**
Micro Enterprises	Does not exceed ten lakh rupees.
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees.
Medium Enterprises	More than two crore rupees but does not exceed five core rupees.

Govt Policy or Initiatives to Promote the SSI Sector

MEASURES FOR PROMOTION AND DEVELOPMENT OF SSIs

Government is aware of the challenges faced by SSIs and has been trying to improve their competitiveness through various measures. These consist of the following:

a) Tax concessions have been provided to SSIs to promote investment in this sector and also to grant relief to small entrepreneurs.
b) Technological facilities have been increased.
c) In order to facilitate adequate flow of credit efforts have been done.
d) Measures have also been taken to improve infrastructure facilities and promote marketing of products.
e) To improve access to latest information, automation of the Ministry of SSI Office of DC (SSI), Directorate of Industries and District Industries Centres have been set up.
f) Other initiatives, such as, Advisory and Mentoring Services, Technology Business Incubators, Suppliers Rating Accreditation Services have been taken up.

NEW INITIATIVES

The following new initiatives have been taken by the government:

a) Advisory and Mentoring Services: Inadequate management skills are often the cause of non-performance of small enterprises. NSIC's advisory and mentoring services are aimed at effectively addressing this impediment to growth. It offers

Mentor-pupil relationship services in which the Mentor, a person with wide experience is running his own business, will volunteer his services to individual or a group of units - the pupil. An advisor, a senior professional, generally retired and a specialist in a specific area will assist in the process. Mentors and advisor will provide the necessary professional and moral support in the early lifecycle of an enterprise or to existing units facing critical operational problems.

b) Technology Business Incubators: Innovative entrepreneurial ideas have to be fostered and developed in a supportive environment before they become attractive for Venture Capital Institutions. Incubation centre enable technical entrepreneurs to conduct their Research and Development programmes in a professional, friendly and supportive environment, without making any further investment.

Technology Business incubators are an important tool for entrepreneurial development. Recognizing this need, NSIC has setup the following Technology Business Incubators.

1. Information Technology.
2. Product Design.
3. Energy and Environment.
4. Bio-Technology.
5. Electronics and Communications

c) Suppliers Rating Accreditation Services: Accreditation, a necessity for buyer comfort, speaks of the enterprise's ability to supply reliably and effectively a product, in accordance with the customer's changing needs. NSIC provide accreditation to SSI units by developing an effective accreditation system process through collaboration with Indian and International Accreditation agencies. Accreditation is provided at two levels - for all Government purchases and for private national and international buyers.

FINANCIAL ASSISTANCE

Central and State Governments have introduced several schemes to ensure adequate and timely availability of credit to SSIs through various institutions

The main features of the financial services offered by institutions are as follow:

a) Financial assistance for the equipment and marketing activities under one roof with speed and efficiency.
b) Prompt clearance of the proposals with minimum processing time and without cumbersome paper work.
c) Assistance in preparing the proposals and completion of document formalities.
d) Market oriented interest rates and service charges with liberal terms of margin, level of assistance and repayment schedules.
e) Arrangement with commercial banks for sanction of loan proposals received from small enterprises.

RAW MATERIAL ASSISTANCE

NSIC aims to help SSI units by financing purchase of raw material (both indigenous and imported), thus allowing them to focus on manufacturing quality products. State Directorate of Industries distributes scarce raw materials to small units. State Small Industries Development Corporations have set up depots for distribution of raw materials to SSIs. The Central Government has introduced a buffer stock scheme to ensure availability of scarce raw materials to this sector.

TECHNICAL ASSISTANCE

Technology is the key to enhance an organization's competitive advantage in today's dynamic information age. SSIs need to develop and implement a technology strategy in addition to financial, marketing and operational strategies, and adopt the one that helps integrate their operations with their environment, customers and suppliers.
National small Industries Corporation Ltd (NSIC) offers SSI units the following support and services through its Technical Services Centre, Extension Centres, Software Technology Parks and Technology Transfer Centre:
a) Technology audits and benchmarking.
b) Technology needs assessment.
a) Technology sourcing.
b) Application of new techniques.
c) Technology acquisition.
d) Material testing facilities through accredited laboratories
e) Product design including Computer Aided Designs.
f) Common facility support in machining.
g) Energy and environment services at selected centers.
h) Classroom and practical training for skill up gradation
Software Technology Parks (STPs) facilitate small industries in setting up 100% export oriented units for software export.

GOVERNMENT'S PRICE PREFERENCE POLICY FOR MARKETING SSI PRODUCTS

Assistance under Government Stores Purchase Programme in the form of reservation of products for exclusive purchase from small scale sector and price preference is one of the major instruments for providing marketing support to the small scale industries.

RESERVATION POLICY

Reservation of items for exclusive manufacture in SSI sector has been one of the important policy measures for promoting and protecting this sector against competition from medium/large/ multinational companies

The policy received statutory backing in 1984 under Industries (Development & Regulation) Act, 1951. However with the opening up of Indian trade in 1991, most of reserved items were importable with the removal of quantitative restrictions. This paved the way to phase out reservation in due course, and every year some items were dropped from the reserved list. Out of 836 items reserved in 1989, 39 items were dereserved in four phases viz., 15 items in 1997, 9 items on 1999, 1 item on 2001 and 14 items on 2001. Subsequently, 51 items were dereserved in 2002, 75 items in 2003 and 85 items in 2004, 108 in March 2005, and 180 in May 2006. Now 298 items stand reserved for this sector.

EXCISE CONCESSIONS

Government of India has provided a major relief by granting full exemption from the payment of central excise duty on a specified output and thereafter slab-wise concessions.

TAX HOLIDAY

With effect from financial year 2005-06, deduction in respect of profits and gains for small scale industrial undertakings is available under Section 80IB.

Fiscal incentives are provided through tax concessions granted in the form of exemptions of direct or indirect taxes leviable on production or profits, besides special tax concessions.

POLICY PACKAGE FOR SME 2005-06

This policy package contains the following points:

a) The Ministry of Small Scale Industries has identified 180 items for dereservation.

b) Small and Medium Enterprises were recognized in the services sector, and were treated on par with SSIs in the manufacturing sector.

c) The corpus of the Credit Guarantee Fund was raised from Rs.1132 crore in March 2006 to Rs.2500 crore in five years.

d) Credit Guarantee Trust for Small Industries (CGTSI) was advised to reduce the one time guarantee fee from 2.5 per cent to 1.5 per cent for all loans.

e) Insurance cover was extended to approximately 30,000 borrowers, identified as chief promoters, under the CGTSI. The sum assured would be Rs.200000 per beneficiary and the premium will be paid by CGTSI.

f) The emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being implemented, in nine sectors including khadi and village industries, handlooms, handicrafts, textiles, agricultural products and medicinal plants.

INDUSTRIAL POLICY RESOLUTION 1991

The basic thrust of this resolution was to simplify regulations and procedures by delicensing, deregulating, and decontrolling. Its salient features are:

a) SSIs were exempted from licensing for all articles of manufacture.

b) The investment limit for tiny enterprises was raised to Rs. 5 lacs irrespective of location.

c) Equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholding in SSIs.

d) Factoring services were to launch to solve the problem of delayed payments to SSIs.

e) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.

f) Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

What are the problems faced by Small Scale Industries in India?

Small-scale industries in India could not progress satisfactorily due to various problems that they are confronted with while running enterprises. In spite of having huge potentialities, the major problems, small industries face are given below.

1. Problem of skilled manpower:

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non-availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

2. Inadequate credit assistance:

Adequate and timely supply of credit facilities is an important problem faced by small-scale industries. This is partly due to scarcity of capital and partly due to weak creditworthiness of the small units in the country.

3. Irregular supply of raw material:

Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials.

4. Absence of organised marketing:

Another important problem faced by small-scale units is the absence of organised marketing system. In the absence of organised marketing, their products compare unfavourably with the quality of the product of large- scale units. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product. The above problems do not allow them to stay in the market.

5. Lack of machinery and equipment:

Small-scale units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ outdated and traditional technology and equipment.

6. Absence of adequate infrastructure:

Thus absence of adequate infrastructure adversely affects the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.

7. Competition from large-scale units and imported articles:

Small-scale units find it very difficult to compete with the product of large-scale units and imported articles which are comparatively very cheap and of better quality than small units product.

8. Other problems:

Besides the above problems, small-scale units have been of constrained by a number of other problems also. They include poor project planning, managerial inadequacies, old and orthodox designs, high degree of obsolescence and huge number of bogus concerns. Due to all these problems the development of small-scale industries could not reach a prestigious stage

The Role of Small Scale Industry in Economic Development

Employment generation:
They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

Mobilization of resources and entrepreneurial skill:
Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas which are remain untouched to the clutches of large industries and put them into productive use by investing in small-scale units.

Equitable distribution of income:
People migrate from rural and semi urban areas to these highly developed centers in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences of over-crowding, pollution, creation of slums, etc. This problem of Indian economy is better solved by small- scale industries which utilize local resources and brings about dispersion of industries in the various parts of the country thus promotes balanced regional development.

Provides opportunities for development of technology:
The entrepreneurs of small units play a strategic role in commercializing new inventions and products. It also facilitates the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

Promotes exports:
Small-scale industries have registered a phenomenal growth in export over the years. The value of exports of products of small-scale industries has increased from Rs. 393 crores in 1973-74 to Rs. 23, 87.5 crores in 2009-10. This contributes about 35% India's total export. Thus they help in increasing the country's foreign exchange reserves thereby reduces the pressure on country's balance of payment..

Supports the growth of large industries:

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi-finished goods required by them. In fact, small industries can breathe vitality into the life of large industries.

Better industrial relations:
Better industrial relations between the employer and employees help in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production and mandays are comparatively less in small- scale industries. There is hardly any strikes and lock out in these industries due to good employee-employer relationship. Of course, increase in number of units, production, employment and exports of small-scale industries over the years are considered essential for the economic growth and development of the country.

BUSINESS GOVERNMENT INTERFACE

Business is the production house of the country and government is the regulating body which regulates the business so as to archive the socio-economic goals of the country. Business and government are complementary to each other in the sense that both are dependent on one and other so as to sustain each other. For example Corporation tax has the largest share to the total revenue in India.

Government and business interface takes on varied spheres right from meting legal requirements to that of conducting business diplomacy. Lobbying has been one of the most conventional form of interface of business with government. Business houses organize themselves in form of merchant chambers to interact and have dialogue with government. There are various ways of conducting of lobby which involves interacting with legislatures, engendering support in masses, articulating views through media, making donations to various stack holders etc. Lobbying involves intense negotiations and funding through various means with government so as to mould the polices of government in favor of business entities.

Lastly as said in the introduction that corporate are economic power house of a nation, governments come up with various policy resolutions to endorse the peoples aspirations and thus legal obligation constitute the most basic sphere of government business interface. In India it is the socialist and egalitarian aspirations which led government coming up with various industrial policy resolutions to control monopolistic propensity associated with business houses in a developing country.

Forms of Government

Democracy
The word democracy comes from ancient Greek words meaning 'people' and 'rule of government'. It is a system of government of a country whose leaders have been elected by the people. When the elected representatives meet in parliament to make laws, the form of government is a **parliamentary democracy**.

Monarchy
A monarchy is a form of government led by an individual who holds the position for life, having inherited the position, and who passes it on to a relative, usually a son or daughter.

Republicanism
A republic is a country whose head of government is an elected or chosen president. Sometimes the president is also the head of state, for example the President of the United States. Presidents

are usually elected for a specific length of time, called a term of office. In some countries a president may only serve a particular number of terms.

The United States Capitol building in Washington DC, meeting place of representatives elected by the people

Totalitarianism:

In a totalitarian society the government holds absolute control over all aspects of the lives of its people. A set of beliefs is imposed on the people, who have to conform or face unpleasant consequences. This form of government came into being in the 1920s and 1920s when the fascist governments of Italy and Nazi Germany came into power.

Fascism

Fascism is a form of government usually headed by a dictator. It involves total government control of political, economic, cultural, religious and social activities. Some industries may be owned by individuals, but under government control. This form of government includes extreme patriotism, warlike policies and extreme discrimination against minority groups.

Dictatorship
In a dictatorship, one person, called a Dictator, has absolute power. This differs from totalitarianism in that it is less controlling and not marked by a rigid set of beliefs. Sometimes a country run by dictatorship may be called a republic. Such republics have only one political party and the Dictator makes most government policies and decisions.

Communism
Communism is an economic system in which there is little or no private ownership - property is held by the community rather than by individuals. All economic activity is controlled by the government, including things like what crops are grown, what goods are manufactured, and to whom they are sold and at what prices. The decisions made by communist governments are those that are normally made by private individuals in non-communist countries.

Communist governments are usually a form of totalitarianism, and traditionally allow only approved candidates to stand for election and there is usually little or no choice of candidate at an election.

Oligarchy

An oligarchy is a form of government in which only a few wealthy people hold power. A republic may be an oligarchy if just a few people have the right to vote. An example of this was the time of apartheid in South Africa. In most oligarchies, the power of the leadership is supported by the wealthy and the military.

Unit IV

What is a Multinational Corporation?

Multinational corporations are business entities that operate in more than one country. The typical multinational corporation or MNC normally functions with a headquarters that is based in one country, while other facilities are based in locations in other countries. In some circles, a multinational corporation is referred to as a multinational enterprise (MBE) or a transnational corporation (TNC).

What are the advantages and disadvantages of multinational businesses?

Advantages of a multinational business to **host countries** are:

- Transfer of technology, capital and entrepreneurship.
- They increase the investment level and thus the income and employment in the host country.
- Greater availability of products for local consumers.
- Greater access to high quality managerial talent which tends to be scarce in host countries.
- Increase in exports and decrease in imports, thereby improving the balance of payment of host countries.
- Help in equalizing of cost of factors of production around the world.
- They provide an efficient means of integrating economics.

Advantages to home countries

- Acquisition of raw material from abroad, which is cheaper in cost.
- Technology and management expertise acquired from competing in global markets.
- Export of components and finished goods for assembly or distribution in foreign markets.
- Inflow of income from overseas profits, royalties and management contracts.
- Jobs and career opportunities at home and abroad in connection with overseas opportunities.

Disadvantages include:

- Trade restrictions imposed at the government-level
- Taxes or tariffs imposed on imports from other countries
- Limited quantities (quotas) of imports
- Effective management of a globally dispersed organization

- Slow down in the growth of employment in home countries.
- Destroy competition and acquire monopoly.
- Technology designed for mnc's is for world wide profit maximization not for the social welfare or development of economy.
- They could cause fast depletion of some of the non renewable natural resources in the host country.
- In order to alley the fears of host countries they need to:
  - provide employment
  - train managers
  - provide products and services that raise the standard of living
  - introduce and develop new technical and managerial skills
  - increase productivity

What is the role of multinational companies in your Indian economy?

There is no distinction between a MNCs & a domestic company in India policy regarding MNCs is the same as for Foreign Private Capital in indie. Large & dominant MNCs along with Indian Companies are covered under MRTP Act. MNCs are specifically covered under Foreign Exchange Management Act (FEMA). Now, we study the role of MNCs in India:

1.) Profit Maximization.

2.) International Network of marketing.

3.) Diversification Policy.

4.) Concentration in Consumer goods.

5.) Location of central control offices.

6.) Techniques to achieve Public Acceptability.

7.) Existence of Modern & Sophisticated Technology.

8.) Business but not social Justice.

9.) MNCs & Process of planned Economic Development in India.

10.) Cultural Explosion.

Risks in International Business

Just as there are reasons to get into global markets, and benefits from global markets, there are also risks involved in locating companies in certain countries. Each country may have its potentials; it also has its woes that are associated with doing business with major companies. Some of the rogue countries may have all the natural minerals but the risks involved in doing business in those countries exceed the benefits. Some of the risks in international business are:

(1) Strategic Risk
(2) Operational Risk
(3) Political Risk
(4) Country Risk
(5) Technological Risk
(6) Environmental Risk
(7) Economic Risk
(8) Financial Risk
(9) Terrorism Risk

Strategic Risk: The ability of a firm to make a strategic decision in order to respond to the forces that are a source of risk. These forces also impact the competitiveness of a firm. Porter defines them as: threat of new entrants in the industry, threat of substitute goods and services, intensity of competition within the industry, bargaining power of suppliers, and bargaining power of consumers.

Operational Risk: This is caused by the assets and financial capital that aid in the day-to-day business operations. The breakdown of machineries, supply and demand of the resources and products, shortfall of the goods and services, lack of perfect logistic and inventory will lead to inefficiency of production. By controlling costs, unnecessary waste will be reduced, and the process improvement may enhance the lead-time, reduce variance and contribute to efficiency in globalization.

Political Risk: The political actions and instability may make it difficult for companies to operate efficiently in these countries due to negative publicity and impact created by individuals in the top government. A firm cannot effectively operate to its full capacity in order to maximize profit in such an unstable country's political turbulence. A new and hostile government may replace the friendly one, and hence expropriate foreign assets.

Country Risk: The culture or the instability of a country may create risks that may make it difficult for multinational companies to operate safely, effectively, and efficiently. Some of the country risks come from the governments' policies, economic conditions, security factors, and political conditions. Solving one of these problems without all of the problems (aggregate) together will not be enough in mitigating the country risk.

Technological Risk: Lack of security in electronic transactions, the cost of developing new technology, and the fact that these new technology may fail, and when all of these are coupled with the outdated existing technology, the result may create a dangerous effect in doing business in the international arena.

Environmental Risk: Air, water, and environmental pollution may affect the health of the citizens, and lead to public outcry of the citizens. These problems may also lead to damaging the reputation of the companies that do business in that area.

Economic Risk: This comes from the inability of a country to meet its financial obligations. The changing of foreign-investment or/and domestic fiscal or monetary policies. The effect of exchange-rate and interest rate make it difficult to conduct international business.

Financial Risk: This area is affected by the currency exchange rate, government flexibility in allowing the firms to repatriate profits or funds outside the country. The devaluation and inflation will also impact the firm's ability to operate at an efficient capacity and still be stable. Most countries make it difficult for foreign firms to repatriate funds thus forcing these firms to invest its funds at a less optimal level. Sometimes, firms' assets are confiscated and that contributes to financial losses.

Terrorism Risk: These are attacks that may stem from lack of hope; confidence; differences in culture and religious philosophy, and/or merely hate of companies by citizens of host countries. It leads to potential hostile attitudes, sabotage of foreign companies and/or kidnapping of the employers and employees. Such frustrating situations make it difficult to operate in these countries.

Although the benefits in international business exceed the risks, firms should take a risk assessment of each country and to also include intellectual property, red tape and corruption, human resource restrictions, and ownership restrictions in the analysis, in order to consider all risks involved before venturing into any of the countries.

Meaning and Concept of Business Combination

Business combination is the process under which two or more business organizations or their net assets are brought under common control in a single business entity. Generally, companies doing similar type of business or involved in similar line of activities may go for business combination to get the economies of large scale production and to minimize the possibility of cut-throat competition. Business combination result the growth. Other terms applied to business combination are merger and acquisition.

Causes of Combinations

The causes of combinations are as follows

1. Destructive Competition: destructive competition may result into the stoppage of many firms. In order to remove the fear created by strong competition, the competing firms arrive at some sort of understanding to regulate prices and eliminate overproduction. In other words, combination may be created as a means of furthering self interest by common action.

2. Economies of Large Scale: A large number of economies are achieved if a business is carried on a large scale. These economies relate to production, management, financing and marketing.

Small business units may combine together to reap the benefits of large scale operations and organization. This will reduce the cost of production and increase the profits of the business.

3. Joint Stock Enterprise: The evolution of company form of organisation has also facilitated the combination of various units by acquiring shares of various companies to control their affairs. The companies under the common control through the system of inter-locking directorship can be easily combined to get many benefits of combination.

4. Control of Market: Combinations are created to secure steady market. Sometimes, combinations are created to control the entire market and create a monopoly which is detrimental to the interest of the consumers. By controlling the market, they can sell their products at higher prices and earn huge profits.

5. Individual Ability: The scarcity of business talent became one of the causes of centralization of power in a few hands, endowed with business insight, business talent and business courage.' ' Many a time, business combination a are created due to the initiative and organizing ability of an individual or a number of individuals.

6. Lust for power: Some businessmen have a lust for economic power which can be satisfied by creating industrial empires. Desires to bring up industrial regime lies at the back of many combinations.

7. Business Cycles: combinations occur as a revulsion against risk of burdensome overhead cost, glut, low turnover and lower process during depression.

8. Protective tariffs: Protective tariffs are used to encourage home industries. When the Government imposes import duty on certain items, the home manufacturers of
9. Government Pressure: The Government policy may compel the weaker units to amalgamate with the stronger units so as to improve the overall efficiency of the industry

10. Miscellaneous Factors:

(a) Dearth of managerial talents may lead to managerial integration of business units. Many companies have common directors which in fact mean their common control.

(b) If an enterprise wants to be self sufficient, it may combine with other units. Vertical integration is the result of desire for self-sufficiency. Under this, various units producing the related raw materials and semi-finished products are combined together so that they produce the finished products at economical prices.

(c) Growth of transport an communication has increased the intensity of completion not only in the national market but also in the international market. This has resulted in the formation of multinational enterprises having subsidiaries in different countries.

(d) Sometimes, firms in an industry join to avail of the benefits of patent rights of one firm.

Haney has divided the above factors or forces into three categories which are as follows:

(i) Driving or impelling forces consisting of cut-throat competition and decrease in the opportunity for speculative gains

(ii) Beckoning forces which include opportunity for profits, protective tariffs and gains of over capitalization

(iii) Facilitating forces comprising of joint stock enterprises and other forces.

Forms of Combinations

Following are the types of combinations

1. Simple Combinations: They arise out of association of natural persons such as partnership firms and companies.

2. Compound Combinations: Compound combinations may take the following forms

(i) Association: Trade Associations, Chambers of Commerce and Industry and informal agreements.

(ii) Federation: Pools and cartels.

(iii) Consolidation: Consolidation may take two forms:

(a) Partial consolidation: trust, holding company and community of interest.
(b) Complete Consolidation: Merger and amalgamation.

Indian Chamber of Commerce

The Indian Chamber of Commerce, or ICC as it is popularly known, is the premier body of business and industry in Eastern and North-Eastern India. The membership of the Chamber comprises several of the largest corporate groups in the country, with business operations all over the country and abroad. Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber was closely associated with the Indian Freedom.

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce operating from Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India. ICC is the founder member of FICCI, the apex body of business and industry in India. ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities. Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber of Commerce was closely associated with the Indian Freedom Movement, as the first organized voice of indigenous Indian Industry. **Currently, Mr. Rajiv Mundhra, Director, Simplex Infrastructures Ltd is leading the Chamber as it's President.**

ICC is the only Chamber from India to win the first prize in World Chambers Competition in Quebec, Canada. The Indian Chamber of Commerce headquartered in Kolkata, over the last few years has truly emerged as a national Chamber of repute, with full-fledged offices in New Delhi, Guwahati and Bhubaneswar functioning efficiently, and building meaningful synergies among Industry and Government by addressing strategic issues of national significance.

Federation of Indian Chambers of Commerce and Industry (FICCI)

Set up in 1927, FICCI is the largest and oldest apex business organization of Indian business. With a nationwide membership of 500 chambers of commerce and business associations and an expanding membership of enterprises drawn from large, medium, small and tiny segments of manufacturing, distributive trade and services, FICCI promotes the spirit of enterprise that will make India a globally competitive and socially responsible economy.

Mission Statement of FiCCi

- To provide an institutional base to the social sector activities of the corporate sector and to promote corporate social responsibility amongst the members of FICCI.

Objectives of FICCI

- Assist FICCI members in identification and implementation of social development projects
- Bring together various stakeholders for improving the quality of life of people
- Design and implement projects in the social sector

Other services provided by FICCI

`Leadership through quality and excellence' is the motto of FICCI. It has been involved with industry and business in the task of nation building. FICCI is backed by a nationwide network of Chambers of Commerce and Industry, Trade and Industry Associations, Professional Institutions, corporate bodies and private firms. It speaks directly and indirectly for over 100,000 business units. FICCI strives to brace up Indian business to go global by creating a conducive atmosphere. Towards this end it operates the following major service providing bodies:-

- Business Information Services Network (BISNET) : global linkages for data sourcing, value added research etc.
- Foreign Investment and Trade Promotion Office (FITPO) : guidance for joint ventures, technology transfers etc.
- FICCI Total Quality Forum: advice and support to industry on quality systems and management.
- Food Research and Analysis Centre (FRAC) : a modern state-of-the-art testing laboratory for the food industry.
- Joint Business Councils (JBCs): to spruce up Indian trade and investment globally.
- Expert Committees and Task forces: for various fields, headed by industrialists with a proven track record.
- Associate Organizations: a number of specialised bodies catering to the interests of various sectors.
- Publications: `Business Opportunities' Weekly, `Business Digest' Fortnightly, `Economic Trends' Quarterly etc.

Associated Chambers of Commerce and Industry of India (ASSOCHAM)

The **Associated Chambers of Commerce and Industry of India** (**ASSOCHAM**) is one of the apex trade associations of India. The organization represents the interests of trade and commerce in India, and acts as an interface between industry, government and other relevant stakeholders on policy issues and initiatives. The goal of this organization is to promote both domestic and international trade, and reduce trade barriers while fostering conducive environment for the growth of trade and industry of India.

ASSOCHAM was established in 1920 by promoter chambers, representing all regions of India. The Association's head office is located in New Delhi and regional offices are located in the cities of Ahmedabad, Bangalore, and Kolkata. As of 2012, ASSOCHAM covers a membership of over 400,000 companies and professionals across the country.

ASSOCHAM has a membership of about 65,000 direct and indirect corporate enterprises. A managing committee of 108 members governs the affairs of ASSOCHAM.

ASSOCHAM	
Type	Trade association
Founded	1920

Headquarters	New Delhi, India
Key people	Rajkumar Dhoot President
Website	www.assocham.org

ASSOCHAM members represent the following sectors:

Trade (National and International)
Industry (Domestic and International)
Professionals (e.g. CAs, lawyers, consultants)
Trade and Industry Associations and other Chambers of Commerce

Objectives of ASSOCHAM

Its stated goals are:-

- developing a genuine government - business partnership
- achieving integration with global economy
- encouraging synergy between small, medium and large enterprises
- promoting harmonious industrial relations
- promoting modernization of business, higher productivity and quality
- Fostering healthy, competitive and open environment for development of trade, commerce and industry.

Among ASSOCHAM's activities and services are :-

- regular interaction with policy makers at Centre and State government levels
- seminars, conferences, business meetings and missions
- quality management services
- energy and environment management services
- Data bank covering imports, exports and other commercial subjects related information.
- Trade fairs in India and overseas.
- Publications like Overseas Business Contacts, Parliametary Digest, News and Views, Environ News, etc.

Confederation of Indian Industry (CII)

CII's principal objectives are to provide information, advisory, consultative and representative services to industry and Government. It operates through National / Regional / State and Zonal Councils. It has specialized Industry Divisions and Affiliated Associations/ Institutions. CII has 3,000 member companies. Its aim is to strengthen industry's role in the economic development of the country and to integrate the Indian industry with world economy. Towards this end, CII works towards creating awareness and supporting industry efforts on quality, environment and consumer protection.

- CII plays a key role in promoting international industrial cooperation.
- It also identifies and addresses special needs of small scale sector.
- CII is represented on all major policy making bodies concerning industry.
- CII provides up-to-date information to both, industry and government on a vast number of subjects.
- The International Division of CII services industry through day-to-day networking with Indian Missions overseas and over 45 counterpart organisations throughout the world.
- CII also organizes specialized trade fairs and the `Indian Engineering Trade Fair'.
- It brings out various publications and bulletins relating to the economy, industry and business

AIMO

AIMO stands for All India Manufacturing Organization. The finding of AIMO by Sri. M.Visvesvaraya was in furtherance of his vision "**Prosperity through Industry**". Industrialization of India was his obsession and from his early career as an engineer in the former Mysore state, Sir Visvesvaraya worked relentlessly to put India on the map of industrialized nations. He was truly one of the founding father of modern India and was closely associated with Mahatma Gandhi, Pandit Jawaharlal Nehru & Leading industrialists of his time notably J.R.D.Tata.

AIMO has been instrumental in creating an environment for co-operation between Government and Industry, in promoting and co-coordinating industrial and economic growth, and has worked for servicing trade and industry and the community.

In order to effectively represent industry, AIMO actively participates in over 150 National and State level Government and quasi Government bodies.

OPERATION: Over 20 Councils/Committees with experienced senior executives of member companies study and analyze various legislative and other matters of concern to industry and provide expert guidance to the National Working Committee of AIMO. Periodic workshops/training programme are organized to help members keep abreast of developments in industry.

Particular stress is made of the significant role of the small industry in national development. AIMO has been focusing attention on several areas to avoid sickness in industry.

STRUCTURE: Members of AIMO are drawn from small, medium and large scale from all over the country with diverse interests such as engineering, chemicals, pharmaceuticals and services. With headquarters in Bombay, AIMO has state / Regional level boards elected annually, supported by secretariats at headquarters and state boards. The Tamil Nadu state board operates from Chennai.

Recently, AIMO has taken the initiative of starting a programme to incubate Rural Innovations. The enormous knowledge in Rural India will be 'incubated' and converted into commercial reality.

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