

# 9.1 Introduction to Entrepreneurship

## In this lesson you will learn :

1. The definition of entrepreneurship
2. The characteristics of an entrepreneur
3. The roles and responsibilities of an entrepreneur

Have you heard the words entrepreneur or entrepreneurship? What do you think they mean?

Thinking Box

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**Tip:** Search “how to say entrepreneur or entrepreneurship” on Google to find out how to say the words properly.

## Let's learn what is entrepreneurship

Entrepreneurship is running your own business to earn profits!

### Who is an entrepreneur?

An entrepreneur is a person who owns a business and runs it. She/he is also known as the business owner!

### Do you know what profits are?

Profits are the revenue or earnings which remain with the business owner, after all the costs are paid.

Profits =

Expenses you make to set up your business

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Money you receive from customers for your products and service.



**Q1.** Do you know any entrepreneurs? What is the name of their business and how do they earn money?

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**Q2. Do we need a special degree or education to be an entrepreneur?**

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**Q3. What is the biggest benefit of becoming an entrepreneur?**

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**Q4. Do you want to be an entrepreneur? You can answer yes or no. But, share your reason**

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### Let's learn who is an entrepreneur

Here is a story of two Biryani shops! We see many shops like this around us. So, to keep the story simple and fun - we have used imaginary names. Let's read!

Great Biryani Restaurant...	... becomes Mindblowing Biryani Food Delivery
<p>Great Biryani was started by Pratibha whose biryani recipe was loved by her family!</p> <p>Pratibha rented a small place near her home and started cooking and selling biryani. At first 10-20 people from nearby areas visited her restaurant regularly, and as her biryani became more famous she began to receive as many as 50 customers everyday! Pratibha was very happy. She was making a profit of Rs100 on every plate of biryani!</p>	<p>Pratibha's friend Shaheen loved Pratibha's biryani too. Shaheen told Pratibha to observe what was happening in the market during COVID 19 - many people started ordering biriyani online. But, by the time the biryani reaches their home - it is cold and does not taste so good.</p> <p>So Shaheen found a solution! Delivering biriyani using mud pots will keep it warm for longer. People can also reheat the biryani in the mud pot without losing any flavor! Pratibha loved this idea. Soon Shaheen and Pratibha started a biryani delivery business in which they delivered biryani, not in plastic bags, but in clay pots.</p> <p>This was something new that no other biryani shop in the city was doing. Soon, Pratibha and Shaheen started receiving hundreds of orders for their biryani every day.</p>



**Q1. Is Pratibha an entrepreneur? Why?**

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**Q2. Is Shaheen also an entrepreneur? Why?**

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**Q3. Write any two qualities of Pratibha and Shaheen which helped them become successful entrepreneurs.**

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### Let's learn about the roles and responsibilities of an entrepreneur

Roles	Responsibilities
<b>Ideation and planning</b>	An entrepreneur identifies a great business idea by doing research on his/her customers and the area/industry in which he/she does business.
<b>Team building</b>	An entrepreneur also creates jobs! They hire the best people to run their business.
<b>Financial management</b>	An entrepreneur has to manage the accounts of a business. This also includes registration of business, payment of taxes, bookkeeping etc.
<b>General management</b>	An entrepreneur looks after day to day business too by ensuring the best quality work and product is reaching the customer always.
<b>Growth</b>	An entrepreneur is constantly planning to grow their business! A business grows by bringing in more customers (by advertising!) and by creating/offering innovative products and services.



**Q1. Pratibha has hired a cook to make biryani in her restaurant. Now, if Pratibha is not cooking food in her restaurant, what work will she do to make sure her business runs successfully?**

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**Q2. What can an entrepreneur do to hire the best people in their team?**

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**Q3. Can hiring talented people to help a business grow? How?**

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### Activity Time!

Write the names of some of the businesses that you observe around you. In your opinion, which business is making the most profits and why?

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If you had an opportunity to start a business, what would you want to do in your business? Who will be your customers?

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### What I learnt today:

Put a ✓ if you know this topic well.

1. An entrepreneur is a person who runs a business.
2. An entrepreneur is passionate about their business and its work.
3. An entrepreneur is a problem solver and a team builder.
4. An entrepreneur's responsibilities also include hiring talented team members and growing the business through advertising and innovation.



## 9.2 Entrepreneurial Mindset

### In this lesson you will learn :

1. What is Entrepreneurial Mindset?
2. How to set up a business

What kind of attitude or mindset makes an entrepreneur successful?

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**Thinking  
Box**

### Let's learn about the entrepreneurial mindset

Mindset is an amazing word! When we 'set' our 'mind' to think in a particular way, it becomes our mindset. People who think positively have Positive Mindset. People who love solving problems have a Problem Solving Mindset. And people who can think like an entrepreneur have an Entrepreneurial Mindset.

Remember: An entrepreneur is a person who doesn't just seek job opportunities but uses his/ her skills and ideas to CREATE job opportunities!

Let's TRAIN our MINDS to think like an entrepreneur:

- Become aware of your own strengths and weaknesses (This happens when we honestly ask ourselves at every stage of our life, 'What am I doing well?' 'What can I do better?')
- Always look for opportunities for GROWTH (Grow knowledge, skills, income, and network!)
- Learn from Failure
- Work with a team of people with different ideas and skills



#### Q1. Which of the following sentences are true about you?

- I like solving problems!
- I love working on new ideas.
- I enjoy working with a team.
- I do not easily give up after facing failure.
- I can learn from my mistakes.

## Q2. Why do entrepreneurs need a mindset of 'learning from failure'?

(Hint: There are no right or wrong answers for this question!)

- Because entrepreneur can fail very often
- Because learning from failure will make them better at their work
- Because some amount of failure is unavoidable when we try something new, so we should not give up after facing it.
- Because \_\_\_\_\_  
(you can write your own reason!)

## Let's learn about setting up a business

Setting up a business can be understood as a process that has **TWO IMPORTANT PARTS**.

### Part 1: How to come up with a business idea and a business plan

This is the part when an entrepreneur decides what their business will be about. After deciding on a business idea, they create a complete business plan after doing research about their idea, speaking to customers, calculating the cost of producing goods or services etc

### Part 2: Starting a business: This involves a lot of other steps like

1. Getting the money to buy essential equipment
2. Registering a company
3. Purchasing the right advertising



Here's a quick puzzle for you. Gyaan lives in an area with offices of many small businesses where there is a frequent demand for repair of electronic devices like computers and printers. So this is Gyaan's business idea - Start a computer repair business!

### What is the next step Gyaan should take to create a business plan?

(Hint: Look at the explanation presented on the previous page!)




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## Let's learn about the story of Goli Vada Pav

Vada Pav is the favorite snack of Mumbaikars! It is the Indian version of a burger. These vada pav are usually sold by a street vendor, and all vada pav taste exactly the same.

In 2004, Vekatesh and Shiv Menon had a simple idea. What if more varieties of vada pav were available to people? What if these varieties were sold from a hygienic food stall instead of regular street food stalls?

This is how Goli Vada Pav started from one station in Mumbai. Today Goli Vada Pav has 350 outlets across the country, and has become a Rs. 50 crore business.

### What is the secret of Venkatesh Iyer's success?

He did not just sell a product that everyone else was selling too.

He SOLVED a problem. He provided people MORE VARIETY and BETTER SERVICE.

He did not stop at the success of one or two outlets. He worked hard to grow his business with the help of a talented team.

### Activity Time!

**Interview an entrepreneur. Speak to any business owner near you. People who run shops, food stalls, salons, factories, etc. are all entrepreneurs. You can ask them the following questions:**

1. How did you start your business?
2. What are the biggest challenges you face?
3. What motivates you to overcome these challenges?
4. In your opinion, what kind of person become a successful entrepreneur?

### What I learnt today:

Put a ✓ if you know this topic well.

1. A mindset is a way of thinking and looking at major decisions in life.
2. An entrepreneurial mindset requires us to think like problem solvers and learn from failure.
3. An entrepreneur should be open to working with people of diverse skill sets and backgrounds.
4. An entrepreneur must be a creative problem solver, analytical thinker and a team leader.

# 9.3 Difference Between Self-Employment and Entrepreneurship

## In this lesson you will learn :

1. The difference between self-employment and entrepreneurship
2. The connection between self-employment to entrepreneurship
3. How self-employment can lead to entrepreneurship

According to you, what is the difference between a self-employed person and an entrepreneur (businessman or businesswoman)?

Thinking Box





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## Let's learn about the difference between self-employment and entrepreneurship

Self-employment	Entrepreneurship
 <p>Pawan provides AC repair services at a fixed fee. He has a contract with a local AC store - The store refers him to customers who need to repair their AC.</p> <p>Pawan is self-employed.</p>	 <p>Shireen understands that many people look for someone to repair their AC. The repair persons are not easy to find, they charge huge amounts and also don't come on time.</p> <p>Shireen and 4 of her friends from ITI, decide to start a small business. They provide AC</p>

	<p>Repair Services in South Bangalore. They have partnership with 10 local AC shops. They guarantee on-time service. Their guarantee states that if the team is late for AC repair by more than 15minutes, they will provide services for free.</p>
<p>Self-employment means providing your services for a fixed fee.</p> <p>Self-employment does not require you to work with a team.</p> <p>Self-employed people can choose to have only short-term goals for business.</p>	<p>Entrepreneurship means you provide service with a unique quality.</p> <p>Entrepreneurs try to work with a team with different skills - this way, they can deliver good quality service to more clients/ customers.</p> <p>Entrepreneurs always plan for the long-term and want to grow their business. They also provide employment to others.</p>



**Vidya is helping her mother sell homemade pickles to people in their personal network. Is Vidya self-employed or an entrepreneur?**

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**Let's learn about the similarities between self-employment and entrepreneurship**

Self-employment	Entrepreneurship
<p>Let us go back to the story of Pawan and Shireen to understand the similarities (matching-qualities) between self-employed people and entrepreneurs.</p> <ul style="list-style-type: none"> <li>• Pawan and Shireen are both not salaried employees. They will earn a different amount of money every month.</li> <li>• Pawan and Shireen both work in an area where their personal skills (AC repair) are strong.</li> <li>• Pawan and Shireen both find their first clients through their local network.</li> <li>• Pawan and Shireen both partner with other businesses to find more clients.</li> </ul>	



**Q1. Does a self-employed person also need to use some of the entrepreneurial mindset. What are the qualities of an entrepreneur that a self-employed person also needs to have?**

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**Q2. Can an entrepreneur's journey start with self-employment?**

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**Q3. Do you know of any self-employed people whose services/products you have used?** (Hint: Most auto-rickshaw drivers are self-employed. Think of more examples!)

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## Let's learn about the journey from self-employment to entrepreneurship



Here is a fun activity for you! Pawan wants to become an entrepreneur. Think of the steps we covered in the previous lesson about 'Setting up a business venture'. Now, help Pawan make a list of things he must do to become an entrepreneur.

<b>Step 1</b>	Decide what kind of business you want to do. (Pawan already knows this! It is AC repair.)
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<b>Step 2</b>	(What should he do to come up with a great idea for AC repair business?)
<b>Step 3</b>	Come up with a creative business idea
<b>Step 4</b>	(What should he do to understand if his idea is actually going to work?)
<b>Step 5</b>	Improve his idea
<b>Step 6</b>	(The last thing Pawan needs to do before actually starting a business is..?)

## Activity Time!

**Think of 2 or 3 self-employed people around you.**

Hint: Vegetable or flower seller, Carpenter, Auto driver

**Now, discuss these questions with your partner.**

**1. How can these self-employed people become entrepreneurs?**

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**2. What are the advantages and disadvantages of them becoming entrepreneurs?**

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**3. Is it necessary and is it difficult for them to become entrepreneurs?**

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### What I learnt today:

Put a ✓ if you know this topic well.

1. Self-employed people use their skills to sell a product or service.
2. Self-employed people like entrepreneurs do not get a fixed salary.
3. Entrepreneurs provide employment to others.
4. Entrepreneurs identify and solve the problems their customers are facing, in a smart way.

# 9.4 Market Scan: Exploring the Market

## In this lesson you will learn :

1. What is Market Scan?
2. How to conduct an effective market scan
3. Practice conducting a market scan

All of us usually explore the market to buy something. What are the methods you use to scan or explore the market?

**Thinking  
Box**

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## Let's learn about Market Scan

Market Scan is also called market research. It is a process by which we explore the different aspects of the market to get information to help your business. A market scan is usually done before setting up a business, to get maximum information about the existing market. Based on the information we get through the market scan, we can make the right choices for our business.

A market scan can cover three important things:

- Understand the customers and their needs
- Explore how to grow the businesses to increase the profit
- Understand the types of goods and services offered by similar businesses

Let's understand how to conduct a market scan with an example. We are exploring the market for homemade snacks and pickles! We need your help in completing this scan - add the missing details below.

What kind of homemade snacks are sold in the market	Who is buying them	How do businesses make money from this
Chips	Families	By selling snacks to a wholesale retailer
Pickles	Students	By selling snacks to hotels and restaurants

_____	_____	By selling _____
_____	_____	By selling _____

Market Scan can be conducted to find out any kind of information that will be useful for your business. It can be done by visiting shops, and vendors or it can be done online.



**Q1. What other type of information can we find out about other businesses from a market scan?**

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**Q2. We can also find out about different prices at which the same goods / services are sold. How does this help build our business?**

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### Let's learn how to do a market scan

Now, let's understand how to do a market scan. It is very, very easy - just follow the given steps.

<p><b>Step 1</b></p> 	<p>Make a list of all the things you want to know about the industry, businesses and customers: That is right, the MORE questions you ask, the MORE knowledge you will receive.</p> <p><b>Note:</b> Market Scan can be ONLINE (on the internet) or OFFLINE (on the streets of your town!)</p>
<p><b>Step 2</b></p> 	<p>Approach the local shops or service centres in your area and simply observe what is being sold, at what price and who is buying them. At this step, you can also identify an expert or a customer who will speak to you about the business and answer all your questions from the list.</p>

OR

**Step 2**

You can also do this online. Use Google to find answers to all your questions. And, use Amazon and other e-retail apps like BigBasket (or Urban Company - for service professionals!) to find out the types and prices of goods and services offered.

**Step 3**

Interview business owners and customers! Ask business owners about their business model and challenges. But more importantly, speak to customers about why they like the current product or service and what they feel could be improved.

Understanding customers is the most important skill of business people! We will learn about this in the next chapter. We will do more work on this in a later chapter.

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Can Google tell you how many people in your area are offering beauty parlour services? What are the words you will type in Google search to learn about beauty parlours near you?

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When you speak to a business owner, what would you want to ask them about their business?

**Let's conduct sample a market scan**

Let's look at a market scan done by Susheela for her new tailor shop

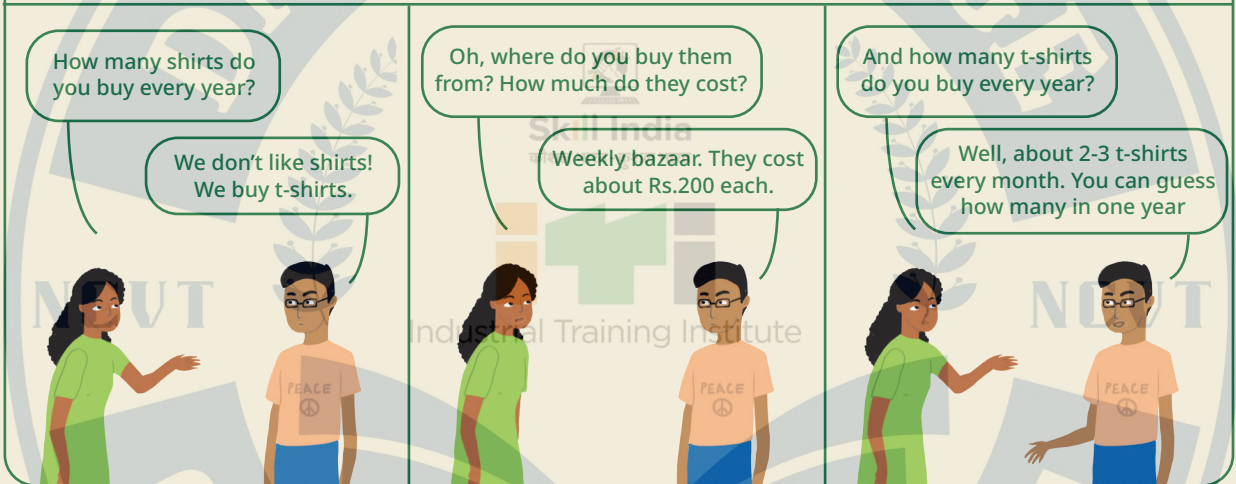


My business idea is to set up a tailor shop that specializes in shirts. I have recently completed a tailoring course.

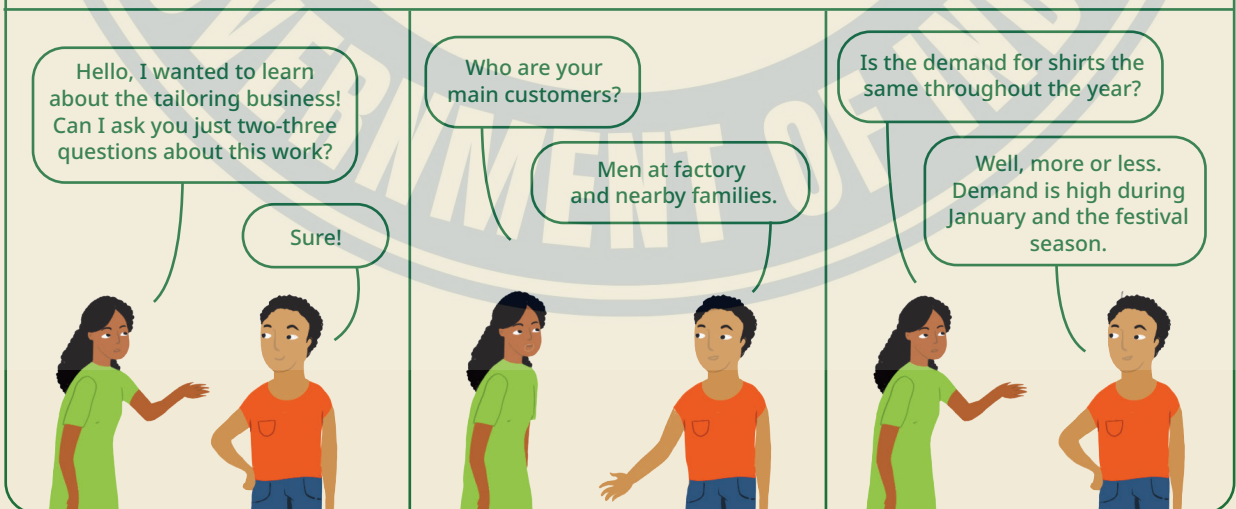
**Customer 1: A school principal**



**Customer 2: College-going boys**



**Competitor 1: A local tailor**



**Supplier 1: Wholesale seller for cloth**

Suheela finds out from the rate metre on his shop that he sells cotton and nylon fabrics for shirts.

Cotton fabric costs Rs. 20/metre and nylon is Rs. 30/metre.

**Why did Susheela ask the supplier about the cost of raw materials for making shirts?**

**Can Susheela sell garments other than shirts?**

**Activity Time!**

Using the Online or Offline Market Scan method, complete the market scan for your business idea. If you do not yet have a business idea you like, you can do a market scan for an auto repair shop.

**What I learnt today:**

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Put a ✓ if you know this topic well.

1. Market scan helps us understand the kind of goods and services sold in the industry.
2. The market scan helps us identify who can be our customers.
3. The market scan helps us understand the common challenges of our business idea.
4. The market scan helps us learn about the cost of setting up our business.

# 9.5 Understanding Customer Needs

## In this lesson you will learn :

1. What are customer needs?
2. How to do customer needs analysis?
3. How to identify customers

Many of us shop online and offline. What are some differences between the needs of customers when shopping online and offline?

*Thinking  
Box*

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## Let's learn about customer needs analysis

Customer's needs can be understood through an interesting process called Customer Need Analysis. It helps us answer the following questions about customers:

1. Do customers pay for the kind of goods/service we want to offer?
2. What products/services are customers currently using?
3. What do they like or dislike about their current product/service?
4. Is there a good demand for our idea of product/service among customers in our area?

### Let's consider the following business ideas!

Agarbatti Business	Garment business	Auto repair shop
<b>Idea:</b> Mosquito-repellent agarbattis	<b>Idea:</b> Uniforms for school students and factory employees	<b>Idea:</b> Auto repair shop near a government office situated in a remote area
Customers are already buying agarbattis from big companies at a very low price.	Schools and factories near you already have given multi-year contracts (orders) for garments to other businesses.	About 200 people commute to this office every day and there are no auto repair shops within 10kms of this office.

Customers love their existing agarbattis	Some have expressed they are not happy with quality and untimely delivery.	Customers have to regularly go 10kms or more to get help with punctures or sudden breakdown.
Agarbattis are purchased only once every month.	Orders are given once a year or once in six months.	Customers seek auto repairs as and when required. Usually vehicles require help once or twice in two months.



**Q1. Out of the 3 businesses presented above, which one should you develop? Give reasons.**

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**Q2. What are the top 3 things that an entrepreneur can learn from customer needs analysis?**

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### Let's learn about how to do customer needs analysis

Customer's needs can be understood through an interesting process called Customer Need Analysis. It helps us answer the following questions about customers:

1. Do customers pay for the kind of goods/service we want to offer?
2. What products/services are customers currently using?
3. What do they like or dislike about their current product/service?
4. Is there a good demand for our idea of product/service among customers in our area?

Here is a sample questionnaire for your customers!

**Example:**

**Business Idea: Homemade Soap at affordable prices**

Alfiya wants to start a soap making company/ business. She is reaching out to people to improve her business idea! Here is a list of questions that she asked her customers. You can ask similar questions to your customers to improve your business idea.

**Alfiya's questions for her customers:**

1. Do you use bathing soaps?
2. What do you value most in your bathing soap? (Fragrance, germ-killing ability, or something else?)
3. Which company's soap do you prefer?
4. Do you always buy soap from the same company?
5. Have you ever faced any issues with this soap?

6. What do you like about your Soap and what do you not like?
7. How often do you buy this product?
8. How much do you pay for a soap bar?
9. Would you be willing to try a new kind of soap?
10. Would you be willing to buy the soap prepared by our enterprise?

Have you ever faced any issues with this soap?

Do you use bathing soaps?



Would you be willing to try a new kind of soap?

**Can you think of more questions to ask your customers?**




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**Let's learn about how to identify customers**

When we think about customers - very often we only think of people who can buy our products or services. But we can also sell our products or services to a shop or office or other businesses! For example, Alfiya can sell her soap to a supermarket, which will then sell it to customers!



So, when you make a list of all the possible customers for your business remember to include all of the following categories:

People	Other businesses	Wholesalers or similar businesses
<p>Divide people also into different types of people by age, profession or income level!</p> <p>For example, customers of women's beauty salons are naturally women. But we can also think about working women (who cannot visit salons on working days), homemakers, students (who have less budget) and older women (who require special services).</p>	<p>All types of business places buy products or services to run their office or manufacture their product.</p> <p>For example, restaurants can purchase homemade snacks, schools buy uniforms in bulk, offices require electronic, IT and plumbing services, factories need raw material.</p>	<p>Wholesalers are a type of business that buys products in large quantities and sells them to small stores at slightly higher prices.</p> <p>For example, wholesalers can buy jute bags, agarbattis, or any household goods sold in shops etc.</p>

**Activity Time!**

Interview any 10 potential customers about your business idea. Prepare a list of questions that you would like to ask your customers, and start speaking to them using the questions that Alfiya asked her customers for her business idea.

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**What I learnt today:**

Put a ✓ if you know this topic well. **India**

1. Customer needs include understanding what they like or don't like about the products/services they use right now.
2. Customer needs include knowing how often customers buy a product/service.
3. Customer needs analysis means understanding if there is an overall demand for our product/service among our target customers.
4. Customer needs analysis helps us understand how to improve our business idea,

# 9.6 Selecting a Type of Business: Product or Service

*In this lesson you will learn :*

1. Difference between product and service
2. Things to consider when choosing a product/service idea
3. How to choose the right business idea

**Product** is an object that can be seen, touched and used.

Ex: Masala Dosa, Idli, Vada Pav

**Service** is what we feel, experience and enjoy as customers.

Ex: Service of the waiter, service of the cook.

**Thinking Box**

Now, divide the below list into products or service.

- Car
- Shoe polishing
- Car cleaning
- Food delivery
- Mobile phone
- Bottle of water
- Computer
- Instagram
- Watch

Product	Service

## Let's learn about types of Businesses

Here is a fun way to identify different types of businesses in the world. Let's think of how a tomato becomes tomato sauce and reaches our kitchen!





Everyone in this cycle is running a business! Let's make a list of the number of businesses involved in this work.

1. Farming: A farmer is growing tomatoes in his/her field. Then selling them to people who sell it at a big mandi. He/she is selling a **product**. Product = tomato
2. Tomato seller/supplier: Someone is buying tomatoes from farmers and selling it to a company that makes tomato sauce. He/she is selling a **service**. Service = Supply of tomatoes!
3. Manufacturer/Producer: A factory is making tomato sauce (and may other tomato products like tomato pickle and powder!). This factory will sell a **product**. Product = Tomato sauce
4. Retailers/Wholesalers: Wholesale shops or retail shops (kirana stores) will directly buy this sauce from the factory to sell it to people. The retailers are selling a service and a product! Service = Many products are sold in the same place! Product = Tomato sauce (and all other products stored in a kirana store.

**Q1. Share examples of products that you buy for everyday use.**




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**Q2. Share examples of services that you pay for every day. (Hint: Rickshaw rides are a service too!)**

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## Let's learn about important things to consider when choosing a product/service idea

Choosing the right business idea is the key to starting the business. Without a good idea, an entrepreneur does not have the chance to even start a business.

Before choosing a business idea, understand the following:

1. Is this product/service already available in the market?
2. How can I make my product/service different from others in the market?
3. Will I get funding for this product/service?
4. How strong is the competition in the market?
5. Do I have the knowledge and skill about this product/service?

**Let us understand more with an example:**

Suhana is a 15-year-old girl who wants to win a competition in her school. Suhana is very good at Kabaddi, but she is not so good at painting or dancing. Her school is hosting three competitions – one is a Kabaddi championship, another is for oil colour painting and the last one is for solo classical dance.

**Which competition does Suhana stand the best chance of winning?**

You are right! She can win the Kabaddi championship because she is good at it.

Now, In order to win at Kabaddi, Suhana needs to do the following:

- Make a strategy with her team
- Understand the strategy of the opposite team
- Practice and become better and faster than others
- Make the team practice well, so they can win together

Just like Suhana - an entrepreneur needs to think about both their own skills and the level of competition in the market! This is the magic key to a successful business!



**What are the most important things you must gather information about before choosing your business idea?**

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**Let's learn how to choose the right business idea**

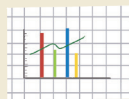
We will make this work really simple for you!

PERSONAL Skills + Resources	MARKET demand + Competition
 <p><b>Finances</b> (Note: We will explore more about this in a later chapter too!)</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Do you have the money you need to invest in the business?</li> <li><input type="checkbox"/> How much will you need to borrow?</li> </ul>	 <p><b>Demand Check</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Is there really a demand for this product or service in the market which is not fulfilled by existing businesses?</li> <li><input type="checkbox"/> Do people buy this product/ service often or only a few times a year?</li> </ul>
 <p><b>Skills</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Do you know how to make this product or offer this service?</li> <li><input type="checkbox"/> Can you learn about this from training or work experience?</li> </ul>	 <p><b>Customer Needs</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> What are the products that customers currently use?</li> <li><input type="checkbox"/> What qualities do they desire?</li> <li><input type="checkbox"/> How can you make your product more appealing to customers?</li> </ul>



### Other resources

- Can you use resources already available to you to start this business? (Space, tools, etc.)
- Can you partner with friends or family members who have the skills or experiences you need?



### Competitor Analysis

- Can you sell products or services of better quality?
- Can you sell products or services at a lesser price?
- How many local competitors do you have?

## Activity Time!

Get together with your team and check if your business idea is the 'right business idea'. Answer questions about finances, skills, other resources, demand checks, customer needs and competitor analysis. Use the checklists in the above activity to make this decision.

### What I learnt today:

Put a ✓ if you know this topic well.

1. Businesses can offer both products and services.
2. Businesses can be opened at any point in the supply chain of a product or service.
3. Skills, finances and other resources help us understand if we should run a certain kind of business.
4. Demand, customer needs and competitor analysis help us understand whether or not our business will be profitable.

## 9.7 My Final Business Idea

### In this lesson you will learn :

1. The importance of a business idea
2. Process of creating a Business Idea
3. Creating the Business idea

**Have you had any idea/s to start a business? Note down the idea below.**

**Thinking  
Box**

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## Let's learn about the importance of a business idea

A business idea is the first step in an entrepreneur's journey. A good business idea for a young or new entrepreneur should be:



### Let's look at the following examples of business ideas.

Business ideas for 'Perfect Indoor Plumbing Service':

1. Indoor plumbing services that provides monthly maintenance service
2. Indoor plumbing service that is always on time
3. Indoor plumbing services that charges fair prices and is always on time

Business ideas for 'Amazing Car Servicing Centre'

1. Car service centre that always offers discounts
2. Car service centre that provides pick and drop service for the vehicle
3. Car service centre that gives free car wash for returning customers

Business ideas for 'Modern Cyber Cafe'

1. Cyber cafe that gives customers unlimited access to computers at a fixed monthly fee
2. Cyber cafe that provides discount rates to customers with government ID cards
3. Cyber cafe that provides customers free computer training every weekend



**Q1. Read the ideas for each of the three given businesses, which ideas do you like best? Why?**

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**Q2. What do all good business ideas have in common?**

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### Let's learn about the process of creating a business idea

We know that a business idea should be short and clear. For example, "Cyber cafe that gives customers unlimited access to computers at a fixed monthly fee". Here we clearly understand what the business wants to **give its customers**. It is also giving a **special, unique value** to customers when compared to other cyber centres.

**Let's build a business idea together for a Potato Chips company.**

What customers want	Our business idea
<p>1. What do customers want from a packet of potato chips?</p> <ul style="list-style-type: none"> <li>• Great taste</li> <li>• Variety</li> <li>• Crispiness</li> <li>• Low cost</li> <li>• Large quantity</li> </ul>	<p>We will make potato chips which:</p> <ul style="list-style-type: none"> <li>• Have a great taste</li> <li>• Are available in more than 2 varieties</li> <li>• _____</li> <li>• _____</li> </ul>
<p>2. List of potato chips qualities that will <b>delight</b> customers, but are currently not easily available in the market</p> <ul style="list-style-type: none"> <li>• Unique flavours</li> <li>• Oil-free potato chips (baked)</li> <li>• Free ketchup or dip with all potato chip</li> </ul>	<p>And, our potato chips will also be</p> <ul style="list-style-type: none"> <li>• Baked!</li> <li>• _____</li> <li>• _____</li> </ul>
<p>3. List of things about current potato chip companies that customers <b>dislike</b></p> <ul style="list-style-type: none"> <li>• Non-recyclable, plastic packaging of potato chips</li> <li>• More air and less chips in each packet</li> <li>• Too salty chips</li> </ul>	<p>And, we will make sure our potato chips:</p> <ul style="list-style-type: none"> <li>• Are sold in recyclable packaging</li> <li>• _____</li> <li>• _____</li> </ul>



**Based on the exercise you completed above, write your business idea for this Potato Chip company in one line.**

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## Let's learn how to build our own business idea!

Let's build our own business idea! Think of your dream business idea and complete the following activity. You can think of a product or service.

**Name of the product/service you have chosen for your business idea:**

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What customers want	Our business idea
<p>1. What do customers want from our chosen product or service?</p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>	<p>We will make a product/service which:</p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>
<p>2. List of qualities that will <b>delight</b> customers, but are currently not easily available in the market</p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>	<p>And, our product/service will also be</p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>
<p>3. List of things about current potato chip companies that customers <b>dislike</b></p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>	<p>And, we will make sure our product/service:</p> <ul style="list-style-type: none"> <li>• _____</li> <li>• _____</li> <li>• _____</li> </ul>



**Write your business idea in one line.**

---

Share your business idea with the customers whom you had previously interviewed.

Find out,  
 a) What do they like and dislike about this idea, and b)  
 How much will they be willing to pay for such a product or service.

**Activity Time!**



### What I learnt today:

Put a ✓ if you know this topic well.

1. A business idea is the one that highlights a unique quality of a business
2. A good business idea will be based on customer needs
3. A business idea can be created by understanding what customer want, what they like or dislike about current products/services in the market
4. We should take feedback from our potential customers on our business idea

## 9.8 Building My Business Plan

### In this lesson you will learn :

1. What is a business plan?
2. Importance of a Business Plan
3. Process of Building a Business plan



You already learnt about "Business Idea" in the previous lesson. What do you think is the difference between a business idea and a business plan?

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**Thinking  
Box**

### Let's learn about what a business plan is

A business plan is a document which has the complete strategy for the business. It includes goals and the steps for achieving the goals. Bank loans are provided on the basis of how clear and strong a business plan is. Hence, it is an extremely important document for an entrepreneur.

When a business is started by 2 or more entrepreneurs, a business plan can help all the entrepreneurs to have a common vision for their business.

A business plan needs to be updated once a year or at least once in two years. When a business grows in size, expands to newer businesses, when new business partners join etc the business plan needs to be revised.

A good business plan includes explanation of the business idea, products and services, marketing strategy, customer analysis, and a budget.

Here is a very simple business plan. Read it carefully, to understand.

<b>Business Idea</b>	<b>Product/Service Details</b> Add images, explain the details such as size, colour, etc.	<b>Costing:</b>	<b>Earning:</b>
<b>Customer Analysis</b> What do you know about customer needs?			
<b>Business Expansion Plans</b> How do you plan to grow the business in the next 2 to 3 years?	<b>Competitor Analysis</b> Explain about the competition in the market - online & offline		

- Starting investment
- Costs to the company (Raw materials, transport, office cost, salary)
- Interest on investment

Weekly costs  
Monthly costs  
Yearly costs

- Price per product or service
- Profit per product or service

Weekly profit  
Monthly profit  
Yearly profit

### Let's learn why a business plan is important

Sabia was about graduate from ITI and was eager to start her own business! She had seen that her sister-in-law's salon business was doing really well. She decided to open up a salon too. Based on her sister-in-law's salon business, Sabia calculated the following:

Cost	
Rent (per month)	5,000
Basic Equipment	10,000
<b>Total</b>	<b>15,000</b>

Earning	
Per customer	1,000
No of customers per month	40
<b>Total</b>	<b>1000*40 = 40,000</b>

Sabia was excited! She calculated that she can earn a profit of Rs 30,000 to 35,000 every month. She used her pocket money (which she had saved for many years) to buy the basic equipment. She also paid rent of Rs 5000 for the first month. But, her situation was the opposite of what she calculated earlier! Let's see...

Actual Cost	
Rent (per month)	5,000
Basic Equipment	10,000
Electricity, water	2,000
Transport to salon and back	2,000
Products such as shampoo, hair dye, wax etc	5,000
<b>Total cost per month</b>	<b>24,000</b>

Actual Earning	
Per customer	500
No of customers per month	15
Total earning per month	$500 \times 15 = 7,500$

### Sabia is at a loss of Rs 15,000 in the first month!

It was too late when Sabia realized the reason for her loss - She did not make a complete business plan!

When she created a proper business plan, she understood that her sister-in-law's salon was located in a richer neighbourhood, so customers paid Rs 1000 each time. Plus it had taken her sister-in-law two years to slowly get more customers. Sabia also realized that she did not properly calculate all the costs needed to run a salon. Preparing a well-researched business plan could have helped Sabia avoid this situation.

**Tip: An entrepreneur usually earns lower than they estimate, especially in the starting months because of a lot of unexpected costs and expenses. It is good to have a back up fund or safety amount to keep them protected from severe loss.**



**What could Sabia have done differently to make a better assessment of why her sister-in-law's salon was so successful? (Hint: Reflection on previous chapters about market scan etc.)**

Skill India  
कौशल भारत - कुशल भारत

NCVT

Industrial Training Institute

NCVT

### Let's learn about how to build a business plan

The name of your business:

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#### Opportunity

**Problem:** (Hint: This is part of your business idea)

We are going to solve the problem of

---

**Solution:** (Hint: This is part of your business idea)

We will use of product or service to solve this problem by

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#### Market:

(Hint: This will be answered by survey and research methods explored in previous chapters)

This product or service will be purchased by

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**Competition:** (Hint: This will be answered by survey and research methods explored in previous chapters)  
Some companies who are already in this line of work are

We can be better than the competition because:  
We will beat the competition by doing this

**Important questions to answer in your business plan**

- How much money will you earn initially?
- How will the business grow in the coming months?
- How many people will use your service?
- What are the total costs of running the business?
- What are expected and unexpected costs?
- How much money will you earn at the end of one year?
- How much profit will you start making at the end of the first financial year?
- How can an entrepreneur correctly estimate their earnings in the initial days of a business?
- How can you use tools of market scan and customer needs analysis to add information to your business plan?



**Activity Time!**

**Build a business plan for your business idea. Present it to any 10 of your classmates and if possible 5 mentor figures who can include ITI instructors, other entrepreneurs etc. Take note of their feedback.**

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**What I learnt today:**

Put a ✓ if you know this topic well.

1. A business plan is like any other plan. It should be made by paying attention to detail and deeply researching all points.
2. A business plan includes our business idea and goals.
3. A business plan includes an estimate of the total cost we will have to incur to produce goods and services.
4. A business plan also includes an estimate of future income. This estimate can be made by studying other businesses doing similar work and serving similar customers.

## 9.9 Pitching for My Business

### *In this lesson you will learn :*

1. Know what is a business pitch
2. Understand who hears our business pitch and how
3. Practice presenting your business pitch

### What I already know about Business Pitch

- Business ideas
- Demand
- Price and Cost
- Incubators
- Customer research

### Thinking Box

### Let's learn about what is business pitch and why is it needed

Raj wants to start a dosa shop in his village. He knows his dosas are the best. But, he lives in a North Indian city where a lot of people are not aware of the varieties of dosas that he can prepare! He is serving only 10-15 people every day.

He has decided to invest money in renovating his restaurant to make it look more attractive. He also wants to advertise his restaurant online and in newspapers.

It will take Raj more than one year to save enough money to do this. His other option is that he can take a loan from a bank.

The bank invited him to share his business idea. They will give him money only if they really like his idea.

Raj convinces the bank through his 3 minute, powerful business pitch!

He shares a presentation explaining:

- His talent & abilities
- The success of his business
- Good reviews by his customers
- His costs and profits
- His plans for growing the business

#### What is a business pitch?

It is a short & effective presentation to describe the business. It can last only 2 to 3 minutes long. Within that short time, the entrepreneur needs to convey all the important information about the business. It is like a smart advertisement for the business.

A good business pitch is the key to impress a customer, investor and partner for the business.

#### 3 things to focus in a business pitch:

1. Who is my audience?
2. What do I want to achieve with this presentation?
3. Will I present it in person or will I be sending it over email or whatsapp?



Why do you think a business pitch needs to impress the audience?

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### Let's learn about who will hear your business pitch and why

Startup Investors	Banks	Friends/Family/Others
<p><b>Who:</b> Startup Investors are special companies or institutions which exist only to support entrepreneurs.</p>	<p><b>Who:</b> All public and private sector banks support entrepreneurs by providing loans.</p>	<p><b>Who:</b> The people in your network! They can be fellow students from ITI, your family, or any friends who can support you with your work.</p>
<p><b>How:</b> They can support entrepreneurs through money and expert guidance.</p>	<p><b>How:</b> Skill India They will provide you a loan which can be repaid at an interest.</p>	<p><b>How:</b> They can help you by providing money, space, resources or team support to start your business</p>
<p><b>Benefits:</b> Getting support from an investor will help you find expert guidance on growing your business.</p>	<p><b>Benefits:</b> Government has many schemes like MUDRA loan for small businesses where loans are available at low rate.</p>	<p><b>Benefits:</b> We can approach friends and family with untested ideas too! With their help, we can approach banks and other lenders with more confidence.</p>



Is it a good idea to prepare a different business pitch for each of these categories? If yes, why?

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### Let's learn about how to prepare your business pitch

It is **not** important to write long sentences. It is only important to know the main thing you will say in your pitch. These steps will just help you think of all the important things about your business idea.

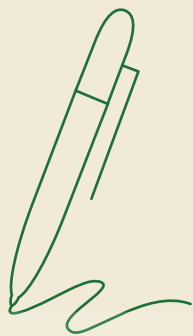
What is your business idea?

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<b>Step 1: Clearly state the problem you will solve</b>	Make your audience interested in your idea by sharing the most important problem you will solve. Ways of starting this: 'Did you know..?' 'Have you ever faced this problem...?' 'Have you ever wanted a product or service that can...?'
<b>Step 2: Introduce yourself and share why you are here.</b>	I am... My skills .... I am here to ask you to support my idea which solves ....
<b>Step 3: Define your solution</b>	What is your solution? Why is it unique?
<b>Step 4: Share your market research. Tell them who your customers are.</b>	Who are you selling the product to? (How do you know this? Did you do research?)
<b>Step 5: Share your business plan. Explain your costing and pricing.</b>	How much are you selling for? (Cost vs price - is this a profitable idea? Cost = how much money it takes to build the product. Price = how much money are you selling it for.)
<b>Step 6: What is your demand estimate?</b>	How much do you expect to sell?
<b>Step 7: Resources and money that you will put into the business</b>	Remember - your full-time skill and effort are also a resource for the business! If your family and friends are working with you - share that too.
<b>Step 8: Clearly state your demand from the investor and how will you use the money</b>	How much money do you want from investors? And how will you use it?

### Activity Time!

Prepare a business pitch for your business idea and plan! Present it to at least 5 people in your friend and family circle and note their feedback. Did they understand it? Did they find it interesting?



### What I learnt today:

Put a ✓ if you know this topic well.

1. A business pitch is presented to investors who will help us with money and resources.
2. Investors can be government or private incubators or public and private sector banks.
3. A business pitch must clearly state how much money/ resources are required and how will we use them
4. Business pitch must start with the problem we are trying to solve with our business idea



# 9.10 Basic Legal Functions Needed for Any Business

## In this lesson you will learn :

1. The registrations for different types of businesses
2. How to register a business on Udyam website
3. The necessary rules and regulations for licences and taxes for a sole proprietorship

What do you understand about the word "legal".  
Write down below.

Thinking  
Box



## Let's learn about forms of business enterprises

A business can be in many forms. It can be a **Sole Proprietorship, Partnership or Private Limited Company**. All 3 forms have different rules and regulations as per the Laws regulating business in India. Many laws protect the business owner, business partners and the customers, depending on the form of business enterprise (company).

Sole Proprietorship	Partnership	Private Limited Company
<p>Any small business which is owned by a single person can be considered a sole proprietorship.</p> <p><b>How to register a Sole Proprietorship business:</b> Registration of the business is not compulsory Registering your enterprise on the Udyam portal will make you eligible for different schemes from the governments</p>	<p>Any business which has to be legally owned by more than one person can become a partnership.</p> <p><b>How to register a partnership:</b> A partnership deed is made on stamp paper. It must include the following details:</p> <ul style="list-style-type: none"> <li>• Name of the firm.</li> <li>• Nature of the business.</li> <li>• Name of partners.</li> <li>• Place of the business.</li> <li>• Capital contributed by each partner.</li> <li>• Profit sharing ratio</li> <li>• Loans and advances</li> </ul>	<p>Such a company is registered only for running operations at a very large scale.</p> <p><b>How to register a Pvt Ltd Company:</b></p> <ol style="list-style-type: none"> <li>1. Obtain Digital Signature Certificate from the Ministry of Corporate Affairs (MCA)</li> <li>2. Apply for a Direct Identification Number on the same website.</li> <li>3. Reserve the company's name on the MCA website</li> <li>4. Fill out the mandatory company registration forms on the MCA website</li> </ol>

	<p>from the partners and the rate of interest.</p> <ul style="list-style-type: none"> <li>• Salary and commission payable to the partners.</li> <li>• Mode of valuation of goodwill in the event of retirement or death or insolvency of a partner.</li> <li>• Settlement of accounts in the case of dissolution of the firm.</li> </ul>	<p>5. Apply for the company's PAN (permanent account number) and TAN (Tax collection account number) cards.</p>
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If Bindu wants to start a small auto repair shop, which kind of business should she register for and why? Choose from the options below.

Sole Proprietorship	Partnership	Private Limited Company
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## Let's learn about how to register a business on Udyam

Certification of Registration is provided by the Ministry of Micro, Small and Medium Enterprises (MSME).

The Ministry of MSME is run by the Government of India to form and implement the rules, regulations and laws related to micro, small and medium enterprises in India.

Categories of Business	Micro	Small	Medium
Investment in Plant and Machinery or Equipment	> Rs 1 crore	> Rs 10 crore	> Rs 50 crore
Annual Turnover (This means the total money a business makes in one year)	> Rs 5 crore	> Rs 50 crore	> Rs 250 crore

The registration can be done online for free on Udyam, an MSME-run website

To register your 'Udyam', log on to <https://udyamregistration.gov.in>

**You will need the following documents to complete the registration:**

- Aadhaar (Unique Identity Card)
- PAN (Permanent Account Number)
- ITR: Income Tax Return (ITR)
- Bank IFSC code (This is a unique code of your bank branch which is written in your bank passbook)



**Explore Udyam website, and write down any 2 benefits of registering a business on Udyam.**

1. \_\_\_\_\_
2. \_\_\_\_\_

**Let's learn about mandatory (compulsory) rules and regulations for licences and taxes for a sole proprietorship**

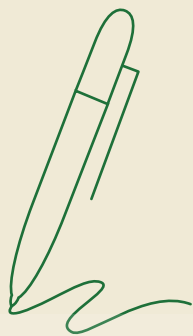
For filing necessary taxes of a business which is operating as a sole proprietorship, all you need to do is the following:

1. **Business name:** Sole proprietors are under no obligations to select a trading name for their business. However, they are free to do so if they want.
2. **Bank account:** Although the person can continue their business with their existing saving account. They are advised to open a bank account separate from their personal savings account.
3. **PAN Card of the individual:** Since the sole proprietor is alone responsible for their business, their personal PAN card can be used for all the filling purposes. Separate PAN cards are not issued for proprietorship firms as they do not have a separate legal existence like a company.
4. **Annual filing of income-tax**
5. **Shops & Establishment Licence** (For business centres, offices, warehouses, stores, hotels, eateries, amusement parks, theatres, etc.)
6. **Quarterly filing of Goods and Services Tax or GST** (This is required ONLY if the annual turnover or income of a business is greater than Rs 20laks, and it also depends on the permissible limit offered by the state government).

**Activity Time!**

**Through online search or offline inquiry at your personal bank, find out the steps required to do the following:**

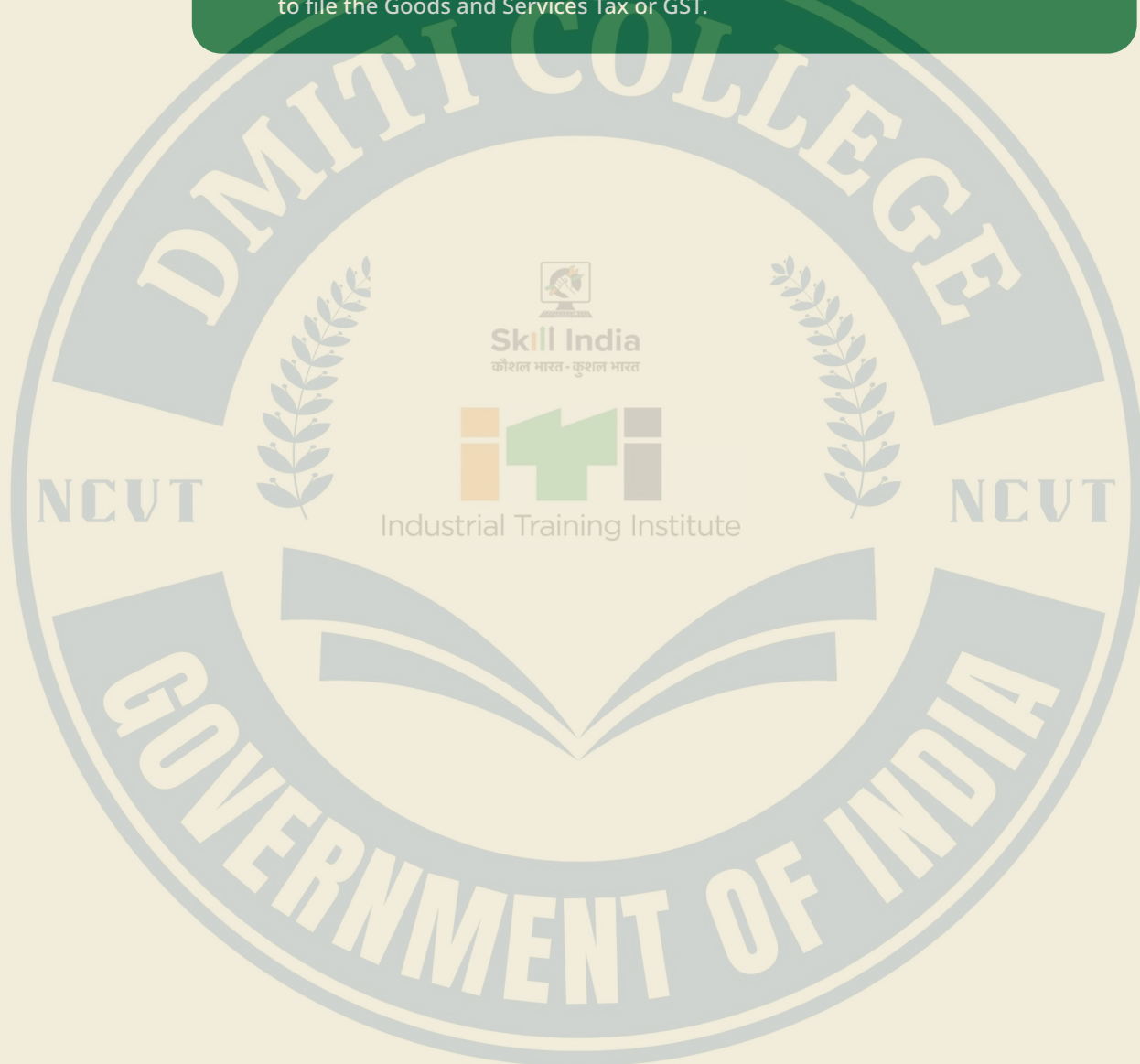
- Get a PAN (permanent account number) card for an individual
- Open a bank account for a business



### What I learnt today:

Put a ✓ if you know this topic well.

1. There are three types of businesses, ie sole proprietorship, partnership and private company limited
2. Sole Proprietorship is the simplest form of business from the point of view of mandatory registrations, financial reporting etc.
3. All businesses must file income tax returns every year
4. Businesses that generate an income of more than Rs 20 lakh (or the limit permissible as per their state government) have to file the Goods and Services Tax or GST.



# 9.11 Marketing in the 21<sup>st</sup> Century

## In this lesson you will learn :

1. What is Marketing?
2. Importance of Marketing
3. 7P's of Marketing

What do you understand about marketing? Select from the options below.

- Buying things in a market
- Going to a market
- Different ways of advertising and selling products or services to customers
- 

Thinking  
Box

## Let's learn about marketing

Marketing our product means doing different activities to make our product or service popular among customers in the market. It is the process of advertising our products in a smart way! The first rule of successful marketing is to know how to highlight the best qualities of our product.

Let's learn this skill by practising it on our own business idea. **Write an advertisement for your business in the following format:**

**Product name here**

Draw a picture of your product!

Unique qualities of your product!

Unique qualities of your product!

Unique qualities of your product!

**Price**

Festival sale   Price discount   Something special is free!

Where can customers buy your product?  
Address | Phone number | Other details



Write the names of the products or services whose advertisements you have enjoyed seeing on television or in the newspaper. State your reasons for choosing these products!

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## Let's learn about the importance of marketing

Why is it important to market your products or services? If we make products or services of great quality, shouldn't that be enough to attract customers to buy our products?

Unfortunately, no. Here are some of the reasons why marketing is really important:

- Marketing helps customers learn about the unique qualities of your products or services.
- Marketing helps customers compare similar products or services in the market.
- Marketing helps customers know where the product or service they want is available - For ex: the name of the shop, app or website
- Marketing helps customers learn important information like price, availability, special discounts, etc. about our product or service.

There are many products explained below. Which one do you like and why?

**Tip: If you observe carefully, you will also learn some useful tricks of marketing!**

<p><b>Friendly Air Conditioner Repair</b></p> <ul style="list-style-type: none"> <li>• Service charges as per work</li> <li>• Time: 10am-5pm / Monday-Friday</li> </ul>	<p><b>Perfect Flexibility AC repair</b></p> <ul style="list-style-type: none"> <li>• Fixed service charges as per brochure</li> <li>• Time: 24x7 service available</li> </ul>	<p><b>Top Price AC repair</b></p> <ul style="list-style-type: none"> <li>• Fixed service charges as per brochure</li> <li>• Time: 24x7 service available</li> <li>• Special Summer Discount 20% off</li> </ul>
<p><b>Try Tailor Shop</b></p> <ul style="list-style-type: none"> <li>• Fixed rate Rs500 per cloth</li> <li>• Time: 10am-5pm/ Monday-Friday</li> </ul>	<p><b>Star Tailor Shop</b></p> <ul style="list-style-type: none"> <li>• Latest designs</li> <li>• Time:10am- 10pm/ Monday-Friday</li> </ul>	<p><b>Super Tailor Shop</b></p> <ul style="list-style-type: none"> <li>• Latest designs</li> <li>• Time:10am- 10pm/ Monday-Friday</li> <li>• Guaranteed stitching in 2 days</li> <li>• Special Summer Discount 15% off</li> </ul>
<p><b>Nice Bathing Soap</b></p> <ul style="list-style-type: none"> <li>• One fragrance, one price</li> <li>• Available only at retail store</li> </ul>	<p><b>Rose Bathing Soap</b></p> <ul style="list-style-type: none"> <li>• Handmade with real rose petals</li> <li>• Available for orders online</li> </ul>	<p><b>Rainbow Bathing Soap</b></p> <ul style="list-style-type: none"> <li>• Seven different scents</li> <li>• Rs 30 only</li> <li>• Available online and at your nearest retail store</li> <li>• Request a free sample by calling us on this number!</li> </ul>



**Q1. What kind of information should be included in advertisements to attract customers?**

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**Q2. Which of the bathing soaps from the above example would you prefer to buy? State your reasons.**

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### Let's learn about the 7Ps of marketing

A marketing plan for your business idea can be presented in the form of 7Ps of Marketing.

7Ps of Marketing helps us think about the complete process from production to sales! You can use this format to make your own marketing plan.



**P1: Product**

Explain the product/service - talk about the features or qualities.

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

**P2: Price**

I can price my product like this:

Product name	Quantity	Price

**P3: Place**

- Open your store or market your products in areas where potential customers hang out
- **Example:** Tom wants to start a stationery shop. He should open a store or market his business near colleges, offices, and schools because these are the places where potential customers hang out. This will help him to get more customers as he is marketing his product in front of right set audience

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

**P4: Promotion**

How you can inform customers about the product or service. (Choose as many as you like from the list.)

- Radio
- Cable TV ticker
- Newspaper advertisement
- Fliers to be distributed at home
- Pamphlets
- Social media (WhatsApp, Facebook, Instagram)
- Others (write) \_\_\_\_\_

I will give my customers following offers to make the product more attractive for them!

- Price discount (Example: 20% off!)
- Festival offers (Limited time deals!)
- Free samples
- Others (write) \_\_\_\_\_

**P5: People**

The people who will be selling the product to the customers. Training them, giving them a company uniform etc will help.

**P6: Packaging**

The way you package your product. You can use colours, unique materials etc.

**P7: Physical evidence**

Show the product or service to the customers. When they can touch, feel or use the product or service, customers will be more likely to purchase it.

**Activity Time!**

These images are called 'company logos'. We see logos on packaging of these companies' products or on the nameplate of their place of business. Do you recognise the names of these companies? Write these names in the given space.



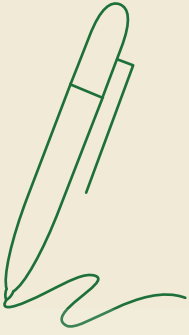

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**What I learnt today:**

Put a ✓ if you know this topic well.

- 1. Marketing helps entrepreneurs educate their customers about the unique qualities of their product or service.
- 2. Marketing helps entrepreneurs promote their products using price discounts, sales offers etc.
- 3. Marketing plan includes planning of how the product will be sold to potential customers.
- 4. 7Ps of Marketing stands for: Product, Price, Place, Promotion, People, Packaging and Physical evidence

# 9.12 Accounting for Business

**In this lesson you will learn :**

- 1. The basics of business accounting
- 2. How to calculate the cost of goods/services
- 3. Simple money tracking template



**You have Rs 100/-. You need to buy three things that you can use in your daily life. What would you buy?**

**Thinking Box**

Product	Price

Principal Amount: Rs. 100  
 Amount Spent:  
 Saving:

**Let's learn about the basics of business accounting**

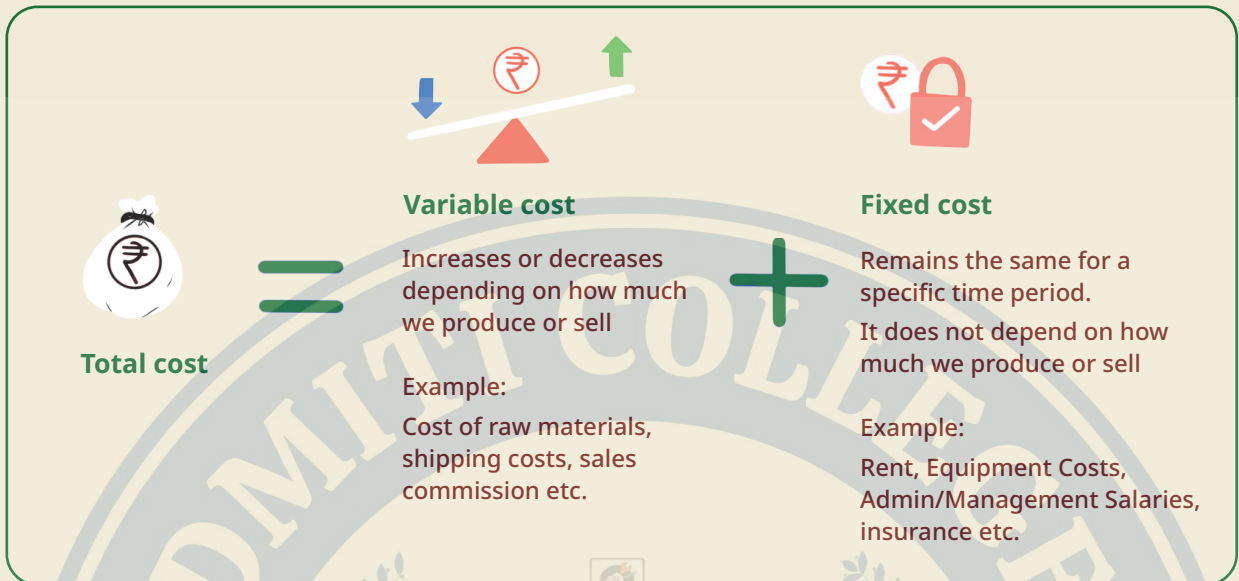
Accounting is the process of managing all money-related matters in a business - total earning, total spending, employee salary, loans, cost of advertising, product/services cost etc.

**Business accounting includes:**

- 1. Keeping track of business costs - To know how much money you are putting into the business, and how much you are earning from it. It helps you determine the profits and losses and make stronger business decisions.

2. Calculating the right price for your product/service - The price of a product/service depends on several factors. But, the most important factor is: How much does it cost you to produce this product/service?

Business costs are generally categorized as fixed and variable costs. Every business owner must understand these costs to identify the most profitable price level for their products or services.



**Q1. An 'Entrepreneur's salary' is also a business cost. What kind of business cost is it? Why do you think so?**

- Variable Cost  
 Fixed Cost

Reason: \_\_\_\_\_

**Q2. Preeti is renting a kitchen to sell parathas for a tiffin service run by her. Is this kitchen rent a variable cost or a fixed cost? Why do you think so?**

- Variable Cost  
 Fixed Cost

Reason: \_\_\_\_\_

### Let's learn how to calculate the cost of goods/services



**Product Price:** Money we request customers to pay in exchange for our goods or services.

**Product Cost:** Money we invest into producing a good or service.

Let's see how we can calculate the cost of a single unit of goods that we produce.

#### Value of a Paratha!

The next time you prepare some delicious parathas (or any other favourite breakfast item!), calculate the 'cost' of each piece of paratha.

	Categories of Cost	Cost
<b>Variable</b>	<b>Ingredients</b>	—
	Ingredient 1 (write name here) _____	
	Ingredient 2 (write name here) _____	
	Ingredient 3 (write name here) _____	
	Ingredient 4 (write name here) _____	
	<b>Cost of procurement of ingredients</b> (transportation, etc.)	
	<b>Your time</b> (Remember to account for every minute including the time spent in cutting the vegetables or preparing the dough)	
	<b>Inventory cost</b> (leftover dough, pickle or curd) Any other costs	
<b>Fixed</b>	<b>Operation and upkeep of kitchen</b>	—
	Cooking Utensils	
	Gas	
	Cleaning, etc.	
	<b>Cost of service</b>	
	Serving utensils	
	Cleaning of dishes, etc.	
	Any other costs: _____	
<b>Total Cost</b>		
<b>No. of parathas made</b>		
<b>Cost per paratha (Total cost ÷ No. of parathas)</b>		

Let's say,

The cost per paratha is Rs. 500. The market price of paratha is Rs. 30 per paratha.

Nobody will buy a paratha for Rs. 500. You will have to sell it at a price similar to your competitors.

You will not make any profit from selling just one paratha. You will have to sell many parathas to cover your total production cost and make a profit.



When the money earned from selling parathas covers your total costs of business, its is called a break-even point. After crossing the break-even point, you need to sell more parathas to make a profit.

**Break-Even Point = Fixed Cost ÷ (Selling price - Variable Cost)**

So, if Fixed Cost of Parathas = Rs 1000, Variable Cost = Rs. 10, Selling price = Rs. 30

Break-Even Point =  $1000 \div (30-10) = 50$ .

This means you will have to sell more than 50 parathas at Rs. 30 to cover the total cost of the business. After selling 50 parathas, you will start making profits for your business.



**Sunil has started a tailoring business where he makes shirts. The machines cost him Rs. 10,000. For making one shirt, he spends Rs. 40 for cloth, thread, electricity and labour. His competitors sell one shirt for Rs. 100. What is the total cost of making a shirt? Calculate his break-even point using the formula given in the above section.**

Fixed Cost of shirt = Rs. \_\_\_\_\_

Variable Cost = Rs. \_\_\_\_\_

Selling price of shirt = Rs. \_\_\_\_\_

**Break-Even Point = Fixed Cost ÷ (Selling price - Variable Cost)**

**Break-Even Point = \_\_\_\_\_ ÷ ( \_\_\_\_\_ - \_\_\_\_\_ ) = \_\_\_\_\_**

## Let's learn about a simple money tracking template

Here is a simple template for tracking your business expenses and revenue.



**Business expense:** Money spent by us on producing the goods or services and keeping the business running.

**Business revenue:** Money we receive from selling goods or services to customers/wholesalers.

An example of a pickle-making business is given below. A total number of 30 pickle jars are sold in a month. The price of 1 pickle jar is Rs. 200.

**Income and Expenditure for the month \_\_\_\_\_**

	Business Expense		Business Revenue	
		Amount	Particulars	Amount
<b>Fixed Cost</b>	Rent of manufacturing unit	Rs. 1000	Sales (No. of jars sold x Price of 1 jar)	30 x Rs. 200 = Rs. 6000
<b>Variable Cost</b>	Raw Ingredients (Mangoes)	Rs. 1000		
	Raw Ingredients (Oil)	Rs. 600		
	Raw Ingredients (Spices)	Rs. 400		
	Packaging Cost (Pickle jars etc.)	Rs. 1000		
	Delivery cost	Rs. 500		
<b>Total Cost</b>		Rs. 4500	<b>Total Revenue</b>	Rs. 6000
<b>Profit / Loss</b>		Rs. 1500		
<b>Loan Repayment (if any)</b>		Rs. 500		
<b>Balance Profit (if any)</b>		Rs. 1000		

**Note:** You can also use online apps for maintaining business accounts. Some of the apps are Vyapar, Mybillbook and Khatabook.

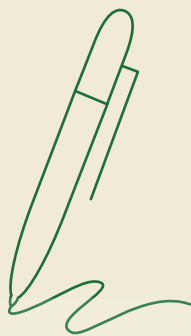


**If you borrow some money from a friend or bank, would this money be considered an expense or an income?**

- Expense
- Income

**Activity Time!**

Calculate the total cost of the product or service you are planning to sell as part of your business plan. Remember to include the cost of your own time and skills (your salary!) when you calculate the cost of your product.



### What I learnt today:

Put a ✓ if you know this topic well.

1. The cost of producing a product or service is both variable and fixed.
2. Variable cost increases or decreases depending on the amount of product or service we produce. For example, the cost of paint for a house painting job is a variable cost, as the cost increases if the area that needs to be painted increases.
3. Fixed cost does not increase or decrease depending on the volume of product or service. For example, the cost of paint brushes in the above example is a fixed cost.
4. The break-even point of a business is calculated by dividing its fixed cost with the difference between its sales price per unit and its variable cost.
5. In order to make profit, an entrepreneur needs to sell more goods and services than his / her break even point.
6. We can track expenses and income in our everyday life with the help of basic accounting methods.

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# 9.13 Funding for Your Business

## In this lesson you will learn :

1. Sources of funds to start a business or start-up
2. Process of applying for funds
3. The requirement to apply for loans

Have you taken the benefit of any Govt schemes?  
Share about it here.

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**Thinking  
Box**

## Let's learn about sources of funds to start a business or start-up

A start-up is a new business, which has the potential to grow into a big company. Startups and new businesses need funds to start their work and to grow their business.

There are many ways in which the Govt of India supports businesses and startups. They are:

### Loans and Credit

Under the Government of India's various schemes to promote entrepreneurship in the country, all public and private sector banks provide loans for starting a business. The most common loan availed by businessmen is the PMMY Mudra loan.

In addition to this, there are several schemes which help entrepreneurs avail loans. Some of them are

- District Industry Centres or DIC: These centres help entrepreneurs get loans under the Startup India scheme at a district level
- Small industries service institutes (SISI): These institutes provide entrepreneurs support at a state level.
- National Small Industries Corporation (NSIC): These institutes provide entrepreneurs support at a national level.
- Small Industries Development Organisation (SIDO): This institute operates as part of the Ministry of Micro and Small Enterprises. It helps provide loans and other support facilities to all small business owners in the country.

<p><b>Incubation/Funding</b></p>	<p>Under the Atal Innovation Mission, Government is setting up Atal Incubation Centres (AICs). The government is also helping the Established Incubation Centres (EICs) grow. These incubation centres provide entrepreneurs support through financing, training and networking.</p>
<p><b>Others</b></p>	<p>Other ways for businesses to obtain financial support include venture capital funding and angel investors. Venture Capital funds are big companies that provide financing to startups that have the potential to become profitable in the future. Angel Investor is the word used to describe individuals who invest their money in a business.</p>



Visit [startupindia.gov.in](http://startupindia.gov.in) and find out if there are special loan schemes for women entrepreneurs. Make note of the schemes available for women entrepreneurs in your state.

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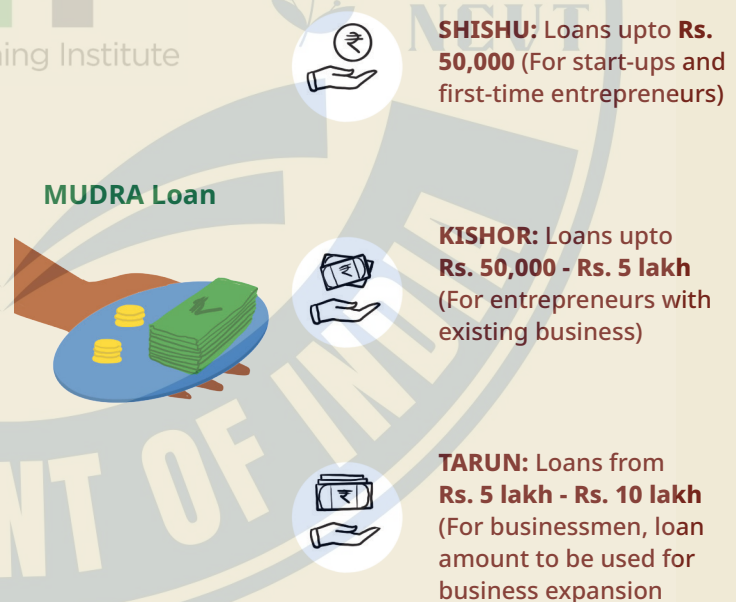


### Let's learn about the process of applying for funds

Micro Units Development and Refinance Agency (MUDRA) Loan scheme is run under Pradhan Mantri Mudra Yojana (PMMY).

Mudra Loan Scheme offers loans to individuals, SMEs and MSMEs under 3 schemes: Shishu, Kishor, and Tarun. The maximum loan amount offered under MUDRA is Rs. 10 lakh. There is no minimum loan amount.

No collateral or security is required by banks or financial institutions for a Mudra loan. A Mudra loan can be repaid within three to five years with flexible EMI options.



Kiran is just starting her beauty salon. She requires financial assistance for purchasing basic equipment used in a salon, like chairs, mirrors, and beauty products. Which Mudra loan should she apply for? State your reasons.

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## Let's learn the requirements to apply for loans

A MUDRA loan is available in both private and public banks. The following kinds of businesspeople can take a MUDRA loan:

1. A small manufacturer
2. An artisan
3. A fruit and vegetable dealer
4. A shopkeeper
5. An individual occupied in Agriculture (poultry, fisheries, livestock units, etc.)

**The minimum age of the person who is taking the loan should be 18 years.**

A MUDRA loan can be taken from any public or private sector bank. Following documents are required to apply for a MUDRA Loan.

1. A Mudra application form with two of your most recent passport-sized photographs
2. KYC documents such as your passport, voter ID card, driving licence, Aadhaar card, utility bills (water or electricity), PAN card
3. Special identity documents such as your caste certificate in case you belong to the SC/ST or any other special category
4. A proof of your business income
5. The address proof of your business
6. A proof of establishment of your business (if in case you are already running an enterprise)
7. Your bank account statements going back at least 12 months
8. Your Income Tax Returns (ITR) for the past 2 years, if applicable
9. Any other document requested by the bank officials

**You need to follow these steps to apply for a Mudra Loan:**

**Step 1:** Visit a PMMY-authorized bank of your choice.

**Step 2:** Ensure you have a self-written business plan.

**Step 3:** Ask for the Mudra loan application form and fill in the required details.

**Step 4:** Submit the application form along with passport-size photographs and documents.

**Step 5:** Once all of the documents have been verified successfully, the loan will get approved and the desired amount will be credited to the mentioned bank account.

**SIDBI, State Bank of India and Private Banks offer loans to start a business.**

Documents required to avail a startup business loan	
<b>Photographs</b>	2 copies (passport-sized)
<b>Proof of Identity</b>	PAN Card, Passport, Aadhar Card, Voter's ID, Driving License
<b>Address Proof</b>	Passport, Driving License, Aadhar Card, Postpaid Phone Bill, Voter's ID
<b>Age Proof</b>	Passport, PAN card
<b>Bank Statements</b>	Last six months
<b>Proof of Income</b>	Income Tax Returns, Salary Slips
<b>Signature Proof</b>	Bank verified signature, PAN Card, Passport
<b>IFSC Code Proof</b>	Cancelled/scanned cheque, copy of passbook's front page of the same bank account

Visit your nearest bank and inquire about the details required in a business plan which is used to apply for a MUDRA loan.

**Activity Time!**

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**What I learnt today:**

Put a ✓ if you know this topic well.

1. A business can obtain financial support through a loan, incubation centre or venture capital firms and angel investors.
2. PM Mudra loan scheme is a good option for availing a business loan. It does not require any collateral or guarantees from loan seekers.
3. There are three types of loans available under Mudra schemes. These are Shishu, Kishor and Tarun.
4. Only business owners can apply for business loans.
5. One must submit a business plan as part of their loan application for PM Mudra loans.

## 9.14 Business Stories: Learning from Successes and Failures

*In this lesson you will learn :*

1. Witness some of the Success stories of entrepreneurs
2. Learn from their life stories

**How do you motivate yourself in times of failure?**

**Thinking  
Box**

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### Let's learn about How entrepreneurs learn from failure

Nandita Bijur overcame many difficulties when starting her business. Nandita is the owner of Uma Food Products - a company that is worth several crores of rupees.

Nandita had a simple business idea - she could make delicious ice cream mix and she wanted to sell it. Nandita's husband - Pramod - supported her idea. They decided to name their business 'Yummy Ice Cream'. They made the ice cream mix at home.

Soon the demand for Nandita's ice cream mix grew. She rented a space for her first factory in Jogeshwari, Mumbai. She took a small bank loan for Rs. 70,000 for the premises and pledged her jewellery to get an additional loan for Rs. 40,000. The first year was very tough. Since her business was new, nobody gave her any credit. All her suppliers wanted cash, yet she had to supply her retailers and customers on credit. As Nandita became more successful, she launched new products such as Gulabjamun and Basundi mix. Nandita's company soon had more than 40 such products. Nandita soon hired a distributor for her products. Her sales increased four times. Nandita invested Rs. 6 lakhs in TV commercials, magazine and newspaper advertisements, and billboards. Then one day, disaster struck.

There was already a company by the name of 'Yummy Ice Creams' in Goa. Nandita did not know this. She found out the name 'Yummy Ice Cream' was already registered and trademarked by someone else. The businessman from Goa stormed into her factory and her home with CBI officers. He threatened to sue her. The distributor intervened and they negotiated with the Goa businessman and settled out of court. This proved very expensive. Once again, after all these years, Nandita had no money. Her accounts in the banks had been closed. This was a very trying period.

Nandita changed the name of her company to 'Uma Food Products'. Her packaged mixes were renamed 'Et-mi'. The first thing she did was pay off the bank loan because she needed to have a bank account to write cheques. For this, she had to take another loan from a private lender at the very high rate of 24%. Nandita and her family worked hard to pay off all their loans. Nandita has now learned from her mistakes and has been running her business successfully now for more than 10 years.



**A trademark is a product name that has been officially registered with Trademark Registry of India. Once a trademark has been registered by a business, no other business can legally use that product's name to sell their own products. Why do you think it is important to get a trademark for your business?**

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### Let's learn about story of hard work and team work

This is the story of five brothers – PC Musthafa, Shamsudeen TK, Abdul Nazer, Jafar TK and Noushad TA – who started a small idli-dosa batter business from a 50 square feet kitchen in Bangalore. 15 years later, this small business has become Rs185 crore and their batter is sold not only all over India but also in several countries abroad.

Musthafa is the son of a daily wage earner from a remote village, Chennalode in Wayanad Kerala. He was 10 years old when he dropped out of school. He had failed Class 5. But, his teacher encouraged him to return to school. With the help of his teacher, he started becoming a better student. After completing his school, he went on to become an engineer. His salary helped his family overcome poverty.

He then returned to India with three objectives in mind – creating employment for young people in his village, spending more time with his parents and pursuing higher education.

He teamed up with his cousins Nazer and Shamsudeen who had started a Kirana store in Bengaluru and started working on their new business idea – selling idli dosa batter. He used his savings to set up the factory and he used his engineering know-how to create unique machines that helped them make the idli-dosa batter in very large quantities.

Now, with the help of investments from Azim Premji and others who were impressed by the company's success, the company has set up factories in Bengaluru, Mumbai, Delhi, Kolkata, and the Middle East. **Soon ID fresh will also sell idli batter in America!**

For PC Musthafa – the journey from dropping out of school in class 5 to becoming the CEO of a multi-crore business was not a short one.  
He worked hard for decades to achieve this success.