

TAKING OFF A BUSINESS VENTURE

F. Pushparaj Anjelo, SMS (Agriculture Extension)
ICAR-Krishi Vigyan Kendra (Ernakulam) of
Central Marine Fisheries Research Institute,
(Indian Council of Agricultural Research)
Narakkal, Kochi, Kerala - 682 505.

What is a business?

An organization or economic system where goods and services are exchanged for one another or for money. A business can be privately owned, not-for-profit, or state owned.

Prerequisites for starting a business

In order to successfully run a business the entrepreneur has to keep in mind the following prerequisites before entering into a business;

1. Select a product / service:

The primary requisite of starting a business is about choosing or selecting a product/service. Initially it is better to have a basket of ideas from which we can zero in on a better one which suits the demand pattern of the market and consumers, considering the life cycle of the product, shelf life of the product, ease in availability of raw materials, man power, technologies available for production etc.,

2. Investment:

Each and every business requires some form of investment. Investment in the sense time, energy or matter spent in the

hope of future benefits. The investment may be required for fixed expenses, recurring expenses and inventory expenses. The quantum of investment in terms of money is determined by amount required for reinvestment in working capital and capital expenditure.

- a) Fixed investment: Expenditure required for physical assets viz., machinery, land, buildings, installations, vehicles or technology.
- b) Recurring expenses: The expenses which are incurred by a business on a regular basis. These expenses are essential for day to day running of the business ie., charges on rent, electricity, salaries, etc.,
- c) Inventory expenses: Some goods produced or purchased in a season/ year may be stocked for selling in a later year/ season, the expenditure incurred in this item is known as inventory expenditure.

3. Fix your customers:

Every business need enough customers to whom its output can be sold on a consistent basis. Inorder to make it viable and to make profit out of it.

4. Market Survey:

A thorough investigation into the state of the market about the product/ service we are planning to deal including an analysis of consumer needs and preferences is needed before venturing. Market survey/ research provides vital information which helps to identify and analyze the needs of the consumer, market size and the quantum of competition the service / product is expected to be facing in the existing market. Market survey is a very important component of business strategy and also it helps us to expedite how our product/ service fit into the market. Be brutally honest while conducting market survey in essential to succeed.

5. Business plan:

A business plan is a written description of your business's future,

a document that tells what you plan to do and how you plan to do it. In simple, a business plan is a document that outlines the basics about your business, products and services, the market you are targeting, the goals you have for your business and how you will achieve the goals.

6. Marketing plan:

It's an operational document that outlines an advertising strategy that a business entity will implement to generate leads and make the product/ service hits its target market and reaches our consumers. The marketing plan helps in pricing decisions, new market entries, tailored messaging targeting our consumer type and platform selection for the product promotion. Moreover the plan outlines the marketing activities on a monthly, quarterly or annually.

7. Naming and registering a business:

What's in a name? a lot, when it comes to small business success. The right name can make your entity talk of the town and the wrong one can doom it to failure. Ideally, our name should convey the expertise, value and uniqueness of the product you have developed. The firm should be registered with the competent authorities.

8. Create an office space:

We all know that productivity level drops when we feel uncomfortable. With this in mind it's important that our office space is setup to be the best possible working environment it can make your employees comfortable, relaxed and productive. But utmost care should be taken to make the investment in this regard to be at best possible lowest level. The office space should have a building number Allocated by the local self-government.

9. Make the best possible core team:

In general everyone is ready to work; but a very few would love to be part of building a venture from scratch. Select persons who have guts to make concrete decisions and ability to advise

you and debate you. Don't be surrounded by individuals who nod their head for every decision you make. At least find a guy who is matured enough to understand your venture, capable of running the show in your absence. Be careful not to choose a person who works for a smaller duration though is very talented.

Legal form of a business

Select a legal form for your business, whether it is a sole proprietorship or a partnership venture, public limited company, private limited company or society etc., the right choice of the form of business is very crucial because it determines the power, control, rights and responsibilities as well as division of profits and loss.

1. Sole proprietorship: it's an one man organization where a single individual owns, manages and controls the business,
2. Partnership venture: 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. The rights, duties and liabilities of partners are laid down in the deed.
3. Cooperatives: It's a society with voluntary association of 10 or more members residing or working in the same locality who join together with the objective for promotion of their common interests in accordance with the principle of cooperation.
4. Private Limited Company: A private limited company is a voluntary association of not less than 2 members whose liabilities are limited, the transfer of shares is limited to its members and which is not allowed to invite the general public subscribe to its shares.
5. Public Limited Company: A public limited company is the legal destination of a limited liability company that has offered shares to the general public and had limited liability.

Mandatory licenses and registrations

The process of obtaining license changes from one type

of business to the other based on No. of employees, sector, type of business and place of business.

1. Local Self Government registration: It is mandatory to get the local self government license for starting a business venture irrespective of its type. It is a basic necessity for applying all other licenses.
2. Company or Partnership registration: It is advisable for entrepreneurs who have plans for operating a business with an annual turnover of 20 lakhs or above to obtain a Limited liability partnership or company registration. The ministry of corporate affairs regulates the registration of a company and Limited liability partnership
3. GST Registration: All types of entities and individuals who have an aggregate annual turnover of more than 20 lakhs are required to obtain GST registration. Further any firm/ individuals in interstate supply is required to obtain GST registration irrespective of turnover. It is mandatory to obtain GST registration within 30 days of starting a business.
4. Udyog Aadhar registration: This is a registration available for entrepreneurs who want to start and operate a small business ie., micro, small and medium enterprises. The eligibility criteria for obtaining Udyog Aadhar registration is based on the investment in the plant and machinery made by a manufacturing concern or investment in equipments made by a service provider. Only firms having this registration are eligible for availing various subsidies and schemes specially provided by the government for helping small businesses in India.
5. FSSAI license or registration: Food Safety Standards Authority of India (FSSAI) is responsible for verification of the safety and standardization of food products nationwide. Retail stores, restaurants, modern trade outlets and kiosks needs to get registered under FSSAI. Consumers look for

this five letter word in the food packets or containers. Under FSSAI the license or registration is divided into 3 categories based on quantum of annual turnover, installed capacity and locality.

- a. FSSAI central registration: Generally large manufacturers, imported and exporters dealing in large scale food business need to obtain FSSAI central registration.
- b. FSSAI state license: Food business operators with small to medium sized manufacturing units, transporters, marketers, traders etc., need to take FSSAI registration from the state government.
- c. FSSAI registration: Any food business operator with annual turnover less than 12 lakhs needs to get FSSAI registration.
6. Shop and Establishment Act License: The shop and establishment was created for regulating the conduct of business like the hours of works, child labour, payment of wages, safety and general health of the employees, shop and establishment act license or registration is issued by the state governments.
7. Other licenses and registrations: Certain types of business viz., insurance providers, financial service providers, broadcasting service providers, defence related service providers would require approval from regulatory bodies like RBI, IRDAI etc., further certain businesses may also have to obtain permits from the fire department, pollution control board, local health care system, legal metrology department etc., to name a few.

Accounting and record keeping system

Your success in business will rest on good record keeping practices and solid cash flow, without good records it is impossible to determine the financial condition or profitability of your business. Your record keeping system whether on paper or on a computer should be simple to use, easy to understand, reliable, accurate, consistent and designed to provide information on a timely basis. The following are a list of basic requirements for any accounting system.

1. Cheques Journal: This is a list of all payments made from your bank account. Separate journals are required for all accounts operated by the firm.
2. Cash receipts book: This is a list of all purchase invoices. In addition the GST component must be shown separately.
3. Debtors record: This book will show at any time what you are owed from your customers.
4. Creditors record: This records shows what money is owed to your suppliers at nay given time.
5. Payroll: Records regarding the salaries you are paying to your staff. Separate expenses claim forms must be retained for payment if any additional refunds are made to the employees.
6. Sales Invoices: A copy of all sales invoices must be maintained.
7. Purchase Invoices: A copy of all purchase invoices listed in your day books must be retained.
8. Stock register: A stock register is a record of goods purchased and is stored. The register shall be updated on the receipts on the receipts Colum as and when fresh stock is received and issues done immediately. It is important that the person responsible for the stocks initials the quantity in the stock books.
9. Bank statements: All bank statements from all your bank accounts should be maintained.

All of the above records must be kept for seven years and be available for inspection by the notified authorities.
