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Formation of Nano Business

COURSE CODE: B23NE04DC

Undergraduate Programme in Nano Entrepreneurship

Discipline Core Course

Self Learning Material

SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Formation of Nano Business

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Semester - IV

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(With Model Question Paper Sets)

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FORMATION OF NANO BUSINESS

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Nano Entrepreneurship

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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. The BA Nano Entrepreneurship program is structured to address the growing demand for innovative entrepreneurs, particularly focused on nano businesses. The program’s curriculum is crafted with a balanced blend of theoretical insights and practical exposure, ensuring that learners are equipped to navigate the challenges and opportunities of this dynamic sector. Special attention has been given to the inclusion of real-world examples and case studies, enhancing learners’ understanding of nano entrepreneurship’s unique landscape. Moreover, the curriculum fosters a holistic approach to entrepreneurship that nurtures creativity, innovation, and strategic thinking. Through practical application and industry-driven examples, learner’s will develop the skills necessary to succeed in this cutting-edge field. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.

Regards,
Dr. Jagathy Raj V.P. 01-02-2026

Contents

BLOCK 1

Identifying Business Opportunities

Unit 1 Entrepreneurial Idea Generation

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ introduce viable small-scale entrepreneurial opportunities across tourism, food processing, and emerging sectors.
- ◊ familiarise with business planning and resource management skills to design and operate small enterprises.
- ◊ make them aware of innovation and sustainability practices in ventures such as organic farming and handicrafts.

Prerequisite

Kanu is a young graduate from a small village in Kerala. Although her parents wanted her to find a government job, she always dreamed of becoming self-employed. Kanu always thought of becoming an entrepreneur. One day she attended a small workshop on nano business ventures which could be started with very little investment. This made her realise that she could also start a nano business if she had a good and practical business idea. This prompted her to think more deeply. Kanu began researching the possible business ideas in the context of her village. Kanu saw opportunities everywhere as she looked around her village. The scenic backwaters and paddy fields in her village could attract tourists. She began to imagine tourists enjoying boat rides through the scenic backwaters and experiencing village life and tasting the local cuisines. Her aunt also became a source of inspiration to her as she was earning a steady source of income from selling home-made sweets. Kanu also came up with an idea of starting an organic vegetable shop selling pesticide -free agricultural produce grown by local farmers. Kanu noticed how the women in her village created beautiful handicrafts. This made her realise the potential of selling these handicrafts as souvenirs to the tourists visiting her village. Her friend had recently started a small boutique, and another neighbour had begun a home-based food business, both managing to earn a good living from their passion. Thus, the more she observed, the more she understood that nano businesses are powerful, locally rooted enterprises that could use community skills, natural resources, and creativity to bring change. With this inspiration, she decided to prepare her own *entrepreneurial idea plan,* marking the beginning of her journey into the world of nano business. This story presents the scope of nano business opportunities. The present chapter presents the various small scale business ideas which could be undertaken by nano entrepreneurs in various sectors such as tourism, food processing, home made food business, organic farming, agarbathi making, boutique, interior designing, Event Management, Handy craft, Photography and other emerging sectors in Kerala

Keywords

Small Business Ideas, Nano Business, Tourism, Food Processing, Home-made food business

Discussion

1.1.1 Nano Business Units

The Micro, Small and Medium Enterprises contribute significantly to India's Gross Domestic Product (GDP), exports, and employment generation. These enterprises play a predominant role in the economic development of the country by promoting entrepreneurship, generating employment opportunities, and supporting balanced regional development. In India, nano businesses come under the purview of the broader category of Micro, Small and Medium Enterprises (MSMEs).

A nano business refers to a business unit that has a modest scale of operations in terms of capital investment, labour, and production. They are typically owned and managed by individuals or small groups of individuals. These businesses mainly cater to the needs of the local or regional markets. Another feature of the nano business units is the limited usage of capital and technology. Such units employ fewer than 5 employees. This makes them an important source of employment in both rural and urban areas. According to the Directorate of Industries and Commerce, Government of Kerala, a nano business unit refers to a business unit with a fixed capital investment not exceeding ₹10 lakh. Such businesses are engaged in manufacturing, services, or job work. These business units operate with a connected load of 5 HP or less and are classified under the white or green pollution control categories.

1.1.2 Small-Scale Business Ideas

1.1.2.1 Nano Business Ideas in the Tourism Sector

The tourism sector is one among dynamic economic sectors in Kerala. It plays a pivotal role by contributing to employment, entrepreneurship, and state revenue. According to the Kerala Tourism Department, over 2.25 crore domestic tourists and 6.5 lakh international tourists visited the state in 2024. The tourism sector in Kerala has immense potential for generating business opportunities for nano entrepreneurs. The tourism sector offers a wide array of business opportunities that can be started with very limited capital. These businesses are ideal for individuals, families, and self-help groups. They promote inclusive and sustainable tourism, aligning with Kerala's Responsible Tourism Mission.

Following are some of the small business ideas which could be implemented by nano entrepreneurs in the Tourism Sector.

i. Homestays

One of the profitable nano business ideas in the tourism sector would be to set up homestays. This can be done by setting up one or two guest rooms in one's home for tourists. The homestays in Kerala are particularly famous for their cultural warmth and hospitality. Using very little investment for renovation, furniture, and basic amenities, the entrepreneurs will be easily able to attract visitors. Online platforms like Airbnb, Booking.com, and the Kerala Tourism website can be used for attracting tourists. Setting up homestays would require only modest investment for furnishing, sanitation, and basic amenities. This would require an approximate investment between ₹2,00,000 –₹5,00,000. Beyond providing accommodation to tourists, homestay operators could often supplement income through farm activities such as organic vegetable cultivation or fish farming thus integrating agri-tourism into their business. Fort Kochi, Wayanad, Munnar, Kumarakom, Varkala are some of the ideal locations where homestays can be arranged. In Kerala, the Responsible Tourism Mission provides various services such as registration, training, and marketing support for small homestay owners.

ii. **Local Guiding and Storytelling Services**

Another nano business idea in the tourism sector is to start as a licensed local guide. A nano entrepreneur could offer services like heritage walks, spice plantation tours, or nature trails. This would require a minimal investment below Rs 1,00,000. The basic investment would be required for covering expenses for getting certification to act as a local guide, undergoing training related to developing communication skills and learning mobile–based marketing skills. There is tremendous potential for acting as a local guide and storytelling services for delivering cultural interpretation about Kerala due to its scenic beauty, rich history and vibrant art forms. Today, the potential of local guiding as a profession is being increasingly harnessed by young entrepreneurs in destinations such as Fort Kochi, Alappuzha, and Thiruvananthapuram, who have transformed it into a sustainable livelihood by incorporating storytelling that showcases local myths, folklore, and everyday life experiences for visitors.

iii. Local Food and Tiffin Services for Tourists

Food is considered as an indispensable part of Kerala's tourism experience. A nano entrepreneur could start home-based catering or tiffin services offering authentic Kerala dishes like appam and stew, puttu and kadala curry, kappa and meen curry, karimeen pollichathu, vegetarian thali along with traditional payasam and other desserts to guesthouses, tour groups, and local travellers. Nano entrepreneurs could also set up mobile stalls or small cafes near beaches, waterfalls, and heritage sites. Through this, they will be able to attract steady customers by serving fresh local food. The required investment for setting up such stalls or providing tiffin services comes between ₹2,00,000 –₹5,00,000 for equipment, utensils, and food safety licenses. There is a huge scope for nano entrepreneurs in this sector if they maintain good hygiene, use quality ingredients, and adopt effective mobile marketing.

iv. Handicraft and Souvenir Stall

Another business opportunity for nano entrepreneurs would be to establish small souvenir stalls or mobile kiosks catering to tourists. Tourists are often drawn to authentic handmade products such as coir mats, bamboo baskets, wooden carvings, coconut-shell crafts, mural paintings and souvenirs, which reflect Kerala's unique cultural identity. Nano entrepreneurs could set up small handicraft shops or stalls near major tourist destinations. Entrepreneurs can collaborate with local artisans and self-help groups (SHGs) to source handmade items at fair prices while ensuring quality and authenticity. Support can also be obtained from the Kerala State Handicrafts Development Corporation (KSHDC), which provides raw materials, training, and marketing linkages. In addition to this, nano entrepreneurs can market their products through social media platforms or by collaborating with hotels, resorts, and tour operators that direct tourists to their stalls.

v. Bicycle and scooter rentals

Bicycle and scooter rentals have become a promising opportunity for nano-entrepreneurs. In many tourist destinations, tourists will find it more convenient to rent two-wheelers to explore local areas freely. Nano entrepreneurs can start setting up the rental shops with a minimum fleet of five to six scooters or ten to twelve bicycles. This will be adequate to serve both domestic and foreign travellers. Rentals can be charged on an hourly or daily basis. Such businesses would require an investment of around ₹5,00,000–₹10,00,000 to cover expenses like purchasing the vehicles, helmets, insurance, and maintenance. Entrepreneurs can expand their services through guided cycling tours, thus combining sightseeing with cultural storytelling. In addition to this, the businesses could also provide services such as mobile app bookings, digital payments, and GPS tracking in order to attract modern travellers and improve credibility.

vi. Boat or Canoe Ride Services

Kerala is well- known for its scenic backwaters. Therefore, another profitable venture which could be established with very little investment would be to start boat services using traditional vallams or small canoes. Such short, eco –friendly boat rides will enable the tourists to experience authentic village experiences. Such boat rides can be arranged to experience sunset rides, birdwatching trips, or village tours, especially in Alappuzha, Kumarakom, and Kuttanad. This would require an investment of ₹4,00,000–₹8,00,000 for purchasing a boat, safety gear, and maintenance.

vii. Eco-Friendly Product Sales

Another business opportunity for Kerala's nano entrepreneurs would be to engage in the sale of eco-friendly products, items like cloth bags, herbal soaps, and coconut-shell crafts. Such a business would require an investment of ₹1–₹4 lakh for the purchase of raw materials and packaging. Products can be sold through souvenir shops, resorts, homestays, or online platforms. This not only aids in generating income for the entrepreneurs but also helps in promoting Kerala's image as a green, sustainable tourism destination.

1.1.2.2 Food Processing Units

Food processing units are facilities that are used for converting raw food materials, such as fruits, vegetables, grains, meat, or milk, are converted into processed or value-added food products using either physical or chemical methods. Value-added products are prepared through various activities like cleaning, sorting, cutting, grinding, cooking, preserving, packaging, and storing food. This helps in making the units safe, convenient and marketable. Kerala is a state well known for its rich agricultural base and access to tropical crops. The tropical crops, especially coconut, jackfruit, and pineapple provides immense opportunities for nano entrepreneurs for starting food processing units. This involves developing small-scale food processing ventures for the production of value-added products based on these crops. They are discussed below

1. **Coconut-based Nano Food Processing Business**

The very name of the state Kerala or " Keralam", means "the land of coconuts". Coconut plays an essential role in Kerala's economy and is deeply integrated into the tradition, culture, and cuisine of the state. According to the reports of the Coconut Development Board (2023), Kerala contributes nearly 35% of India's total coconut production. Nano entrepreneurs can start coconut -based food processing units with minimal investment that offer steady returns. This can be done through the production of profitable value-added food products having local and global demand from coconut. Some of them are as follows:

i. Virgin Coconut Oil Production:

Virgin coconut oil production is one of the profitable business ventures that could be started by nano entrepreneurs. Virgin coconut oil is used for cooking, for the production of cosmetics, and for the preparation of health products. A small-scale virgin oil production unit can be started with an investment of around ₹4,00,000 –₹8,00,000. This would be required for the purchase of equipment like mini expeller, filters, and packaging equipment.

ii. Coconut Chips

Another small business idea is for the production of coconut chips. This is a healthy, high-fibre snack made by slicing and drying coconut kernels. Chips manufacturing units could be established with an investment of ₹3,00,000 –₹5,00,000. This would be required for the purchase of equipment like a dehydrator, slicer, and sealer. Nano entrepreneurs can also bring innovativeness in the chips varieties through the production of flavoured or sweetened varieties which would be appealing to both local and international consumers. These chips can also be sold in supermarkets and online platforms.

iii. Coconut Milk and Cream Extraction:

There is a huge demand for coconut milk and cream in bakeries and hotels. So nano entrepreneurs can establish small-scale extraction units. This would require an investment of ₹6,00,000 –₹10,00,000 . This would require pressing machines, pasteurizers, and packaging materials. Packaged coconut milk also has considerable export potential especially from Middle East where Kerala's coconut-based products enjoy strong demand.

2. Jackfruit based Nano Food Processing Business

Jackfruit was declared as the State Fruit of Kerala in 2018. Even though this fruit is abundantly available in the state, its supply remains largely underutilized. According to the statistics of the Kerala Jackfruit Mission (2018), 50% of the annual production of Jackfruit goes to waste. This happens due to improper processing, preservation, and storage infrastructure. Jackfruit trees are found in almost every household across Kerala. This presents immense potential for developing nano food processing business units using Jackfruit as the raw material. Nano entrepreneurs can convert this fruit into a variety of value-added food products by using simple technology and training that cater to domestic, tourist, and export markets. Following are some of such value added products that can be produced from jackfruit.

i. Jackfruit Chips

Jackfruit Chips are immensely popular among both the local consumers and visitors. A profitable business idea for nano entrepreneurs is the production and marketing of jackfruit chips. The production process involves slicing, frying, and packaging the chips in a hygienic and attractive way. With an investment of ₹3–₹6 lakh for a cutter, fryer, and sealing machine, nano entrepreneurs can set up a small home-based chips making unit. The product can be marketed to bakeries, super markets or sold door to door.

ii. Jackfruit Flour Production

Another opportunity for nano entrepreneurs is to start a small scale unit manufacturing jackfruit floor. Jackfruit flour is a gluten-free and low-calorie flour rich in fiber, vitamins, and antioxidants which can used as an alternative to wheat flour. It is suitable for diabetic and health-conscious consumers. The jackfruit flour production process primarily involves dehydrating ripe or semi-ripe jackfruit bulbs, milling them into a fine powder, and packaging the flour for use in baking, baby food, and diet-based nutrition. The jackfruit flour production would require an approximate investment of about ₹4–₹6 lakh. This would be primarily required for purchasing equipments such as a dryer, pulverizer, and packing unit. Nano entrepreneurs can market the product to bakeries, organic stores, and online platforms.

iii. Jackfruit Sweets, Jam, and Squash

Another business which could be started by nano entrepreneurs are jackfruit jams, jackfruit halwas and toffees. These products can be marketed in local markets. Setting up such a small unit will require an investment of about ₹3–₹5 lakh. This would be required for the purchase of equipments, utensils, mixers, and packaging materials. Entrepreneurs can prepare and bottle products like jackfruit jam, squash, and nectar. These have a long shelf life and they can be can be sold through local bakeries and supermarkets. This business is ideal for family-run or women-led enterprises as the production does not require heavy machinery. These products can also be marketed via online marketplaces like Amazon and Flipkart as these online shopping platforms. This will help in giving nano entrepreneurs access to a wider audience.

3. Pineapple-Based Nano Food Processing Business

Pineapple is one of the major fruits cultivated in Kerala. The state of Kerala is one among the major producers of pineapple in India. However a significant portion of the fruit produce is either sold at low prices during the peak season or wasted due to the absence of adequate processing and storage facilities in spite of the large-scale availability of the fruit. So, nano entrepreneurs can take advantage of this opportunity and can start small household based or women - led food processing business by converting fresh pineapple into a range of value-added products using simple food processing technology. Some of them are discussed below

i. Pineapple Jam and Jelly

Pineapple jam and Pineapple jelly are some of the value added items that can be prepared easily from pineapple using simple food processing techniques. These products have a long shelf life and are highly demanded by households, restaurants, and hotels. This presents a huge business opportunity for the nano entrepreneurs. The production process would require an approximate investment of ₹3,00,000 –₹5,00,000. These products can be marketed through bakeries, supermarkets, fruit outlets, homestays, and online marketplaces.

ii. Pineapple Squash

Pineapple squash production focuses on making a concentrated, fruit-based beverage by extracting pineapple juice, filtering it, and blending it with sugar, water, and permitted additives. The mixture is then pasteurized and bottled, creating a refreshing drink concentrate that consumers dilute before use. This product enjoys strong market demand due to its taste and ease of preparation, making it suitable for small food processing units. Setting up a small pineapple squash production unit typically requires an investment of ₹2,00,000 –₹4,00,000, which includes equipment such as juice extractors, filters, mixing tanks, pasteurizers, bottles, and labelling or packaging materials.

iii. Pineapple Pulp and Canned Slices

These are yet another profitable value added products that could be prepared from pineapple. The pulp can be supplied to bakeries, ice cream manufacturers, juice shops, and confectionery units. Canned pineapple slices are popular in hotels, restaurants, and caterings. A nano business unit can be set up with an approximate investment of ₹5,00,000 –₹8,00,000. This would be primarily required for the purchase of a pulper, boiler, cutting tools, can sealer, and sterilizer. These value products can be sold to bakeries, hotels, restaurants, fruit processing units, supermarkets, and through online wholesale platforms.

1.1.2.3 Home made food business

A homemade food business refers to a nano business enterprise which prepares and sells food products directly from a home-based kitchen. It often caters to local customers and operates with minimal investment. It makes use of existing household infrastructure, family labour, and locally available raw materials. The products can be supplied to bakeries, supermarkets, or online platforms and social media. Overall, the homemade food business has huge potential as it can contribute to self-employment, women empowerment, and local economic development by transforming household skills into sustainable entrepreneurial ventures.

Following are some of the home made food business ideas that could be started by nano entrepreneurs.

i. Pickle Making

Pickle making is one among the traditional and profitable food businesses. There is always huge demand for homemade pickles. Nano Entrepreneurs can prepare and sell a wide variety of pickles. Apart from the traditional pickle varieties like mango pickle (Manga Achar), Lemon Pickle (Naranga Achar), Gooseberry Pickle (Nellikka Achar), Garlic Pickle, entrepreneurs can also prepare and sell non - vegetarian pickle varieties like Fish Pickle (Meen Achar), Shrimp Pickle (Chemeen Achar), Chicken Pickle, Beef Pickle, Mussels Pickle **(**Kallummakkaya Achar**)**. This business can be started by a nano entrepreneur from home with very little investment. The raw materials required for starting the business will include fresh ingredients, jars, and basic tools. Nano entrepreneurs will be able to secure demand from local markets and also sell the products online once they get established.

ii. Spice Powder Business

Spice powder business has huge scope in Kerala. Turmeric, chilli, coriander, and black pepper etc are cultivated on a large scale in Kerala. In addition to this, there is a growing preference for clean, chemical-free ingredients, locally produced spice powders. This in turn helps in providing huge scope for the development of spice powder business especially for the nano entrepreneurs. A nano entrepreneur can start the business venture with an investment of ₹1–2 lakh by purchasing basic equipment such as a pulverizer or grinder, sieving machine, sealing machine, and food-grade packaging materials. The production process basically involves various steps like cleaning, drying, grinding, blending, and packaging of spices under hygienic conditions. However, Quality control and proper labelling, including FSSAI registration, are compulsory for the business. Spices can be sold directly to households, restaurants, grocery stores, online stores and or exhibitions or stalls of Kudumbashree.

iii. Jams and Sauces

Another profitable nano business idea for entrepreneurs is the preparation of Jams and sauces. This business will also require only low investment. These products are widely used in households, cafes, bakeries, and restaurants. This making them suitable for small-scale entrepreneurs. Entrepreneurs can prepare a wide variety of fruit jams such as mango, pineapple, strawberry, mixed fruit, orange, and guava jam. Similarly, they can also prepare sauces like chili sauce, garlic sauce, green chili sauce, and sweet-and-sour variants thus appeal to diverse consumer tastes. The business can be started with an investment of around ₹1,00,000– ₹2,00,000 lakh, covering for expenses like purchase of fruit pulpers, cooking vessels, mixers, bottles, sealing machines, and labelling tools. By maintaining hygienic preparation, attractive packaging, and compliance with FSSAI food safety standards, entrepreneurs can build consumer trust and expand distribution through local grocery shops, supermarkets, and online platforms.

iv. Home –made Snacks

A home-based snacks manufacturing unit is yet another profitable and family-friendly business which could started by the nano entrepreneurs especially women entrepreneurs. Home based snack making involves the preparation of a wide variety of authentic Kerala snacks like banana chips, sharkara varatti, unniyappam, achappam, murukku, pakkavada, and aval vilayichathu. It can also include the production of homemade cakes, biscuits and pastries. The business can be started with a modest investment and limited space, using simple equipments such as electric oven, dough mixer, measuring scales, and basic packaging materials. Fresh, homemade snacks always attract customers.

v. Ready-to-Eat or Instant Mixes

Recently there has been a tremendous demand for ready to eat food products and instant food mixes. There is tremendous demand for such products from nuclear families, working professionals and students. Thus, the ready to eat or instant mixes business presents a lucrative opportunity for nano entrepreneurs, especially those having expertise in traditional recipes. Nano entrepreneurs can establish small business units producing instant mixes such as idli mix, dosa mix, vada mix, upma mix which becomes very convenient for the preparation of traditional South Indian dishes. These can be made from natural ingredients without the use of any preservatives. The business can started using minimal equipments such as mixing bowls, grinders, sieves, and sealing machines.

The business can be managed easily within a small home kitchen or workspace. However, maintaining hygiene, proper drying, and airtight packaging are essential to preserve freshness and flavour of the products. Entrepreneurs can build their brand by emphasizing authentic taste and home-style preparation. Packaging plays an important role in determining the success of the products. The products may be packed in small sachets (100–500 grams). This will make the products more affordable and easy to carry. The family participation of the entrepreneurs plays a key role in determining the success of the business. One member can handle production, another can focus on packaging and labelling, while the other can manage sales and delivery. The initial investment for such carrying out such a business can range between ₹1 lakh and ₹2 lakh, depending on machinery and packaging costs. However, registration under FSSAI is mandatory for food safety compliance. With effective marketing, through local fairs, Kudumbashree outlets, or e-commerce sites, instant mix products can become a consistent income source for nano entrepreneurs.

vi. Dairy Processing

Another business idea which could be started by nano entrepreneurs is dairy processing. As milk and milk-based products are consumed on a daily basis in almost all households, these products will have a steady demand and repeat customers. Nano entrepreneurs can prepare variety of milk products such as ghee, curd, paneer (cottage cheese), or flavoured yogurt using locally sourced milk. This business will also require only minimum investment and this would be primarily required for equipments such as a milk boiler, pasteurizer, weighing scale, and refrigeration unit. Maintaining cleanliness and hygiene is critical, as dairy products are perishable and highly sensitive to contamination. Over time, such a unit can diversify into value-added dairy products like flavoured lassi, paneer cubes, or buttermilk with local flavour variations such as cardamom, mango, or rose. With proper cold storage and marketing through neighbourhood shops, the business ensures a constant and sustainable income stream throughout the year.

vii. Fruit Juice and Pulp Unit

Another profitable nano business idea is to start production and marketing of fruit juices and pulp unjt. It primarily involves activities like extracting, filtering, and packaging fruit juice or pulp for direct sale or for supply to juice shops and small beverage brands. The small-scale fruit juice and pulp processing units have huge scope due to India's tropical climate and abundance of fruits. Entrepreneurs can start by producing seasonal juices and pulps such as mango, pineapple, and guava pulp, using locally available fruit during harvest seasons. The production process includes washing, peeling, pulping, pasteurizing, and packaging in bottles or pouches. Though initial investment for equipment and refrigeration may be higher (₹2–₹4 lakh), the business offers high profit margins during the fruit season. By maintaining proper hygiene, using food-grade packaging, and ensuring attractive labelling, even small producers can compete effectively in local markets.

1.1.2.4 Organic farming

Organic farming is an popular business opportunity for nano and small-scale entrepreneurs in Kerala and across India. Organic farming refers to the method of cultivating crops and rearing livestock using natural processes that maintain soil fertility and ecological balance. This type of farming completely avoids from the use of chemical fertilizers, pesticides, or genetically modified seeds. The global shift towards healthier lifestyles and chemical-free food has significantly boosted demand for organically grown fruits, vegetables, spices, and grains. This has in turn created strong market potential even for small farmers and home-based entrepreneurs. Nano entrepreneurs can market a wide variety of products derived from organic farming and natural rearing practices, including fresh vegetables, fruits, traditional rice varieties, pulses, spices, oils, processed items, as well as organic eggs, meat, and dairy products. These products can be sold through local supermarkets, organic food stores, cooperative outlets, farmers' markets, and even through online platforms. Organic farming has huge scope in the present times as consumers, especially in the urban areas, are willing to pay higher prices for safe and eco-friendly produce. This will help in offering consistent income potential for nano entrepreneurs. Thus, organic farming can be considered as one of the most viable nano entrepreneurship opportunities in Kerala

1.1.2.5 Agarbathi Making

Agarbathi, also referred to as incense stick are products which are widely used in households, temples, and meditation centres across the country. This makes it one of the lucrative businesses which could be started by nano entrepreneurs as the product has deep social and spiritual significance. The agarbathi making business requires limited space, simple raw materials, and minimal investment. The principal inputs which would be required include bamboo sticks, charcoal or wood powder, jigat (binding powder), gum, water, and fragrance oils derived from natural sources such as sandalwood, jasmine, rose, or lemongrass. The initial investment for a small agarbathi unit typically ranges between ₹50,000 and ₹1,50,000, covering machinery, raw materials, and packaging. Through proper branding, attractive packaging, and market diversification, small producers can compete effectively in both local and online marketplaces. Thus, agarbathi making not only exemplifies the successful fusion of tradition and innovation but also serves as a model for inclusive, sustainable, and culturally relevant entrepreneurship in Kerala's growing nano-enterprise sector.

1.1.2.6 Boutique Business as a Nano Enterprise

A boutique refers to a small-scale clothing and accessories enterprise which specializes in custom-made, designer, or ethnic wear. Sketching, fabric selection, stitching, embroidery, and display of ready-to-wear garments are some of the main activities that take place in a boutique includes. As the business requires moderate investment, limited space, it is ideal for women entrepreneurs and family-run ventures. Entrepreneurs can source materials from local artisans and enhance them with modern tailoring and personalized design. A small boutique can operate either from home or through a rented studio. The boutique business would require an initial investment ranging from ₹1–3 lakh, depending on equipment and inventory. Digital marketing, online sales platforms, and social media visibility have transformed the boutique industry, This in turn will enable the nano entrepreneurs to reach customers beyond local markets.

1.1.2.7 Interior Designing as a Creative Small-Scale Business

Various factors like rapid urbanization, growth of the housing sector, and rising aesthetic awareness among the middle class have created a strong demand for interior design professionals in Kerala. Hence, nano entrepreneurs having the qualification and expertise in interior designing can take up interior designing as a profession and can establish interior designing studios. It can be operated by the nano entrepreneurs as a nano-scale interior design business or as consultancy or service-based firm thus assisting clients in home, office, or retail space planning. The enterprise requires knowledge of design principles, colour theory, materials, and space utilization rather than large capital investment. Initial costs associated with the business includes digital design tools, sample materials, and marketing.

1.1.2.8 Event Management as a Family-Based Service Enterprise

Event management means organising social, cultural, and corporate events by integrating creativity, logistics, and marketing. Event Management has evolved into a dynamic service sector today. Event Management also presents a profitable business opportunity for small and family-run businesses especially nano entrepreneurs. A nano-scale event management unit can be commenced for co-ordinating small events such as birthday parties, housewarmings, or cultural programs, gradually expanding to weddings and corporate gatherings. This business involves various tasks such as a planning, coordination, budgeting, and vendor management. It is suitable for nano entrepreneurs with strong communication and organizational skills. To start an event management unit, an entrepreneur may require an initial investment of around ₹75,000 and ₹2,00,000 covering expenses for marketing, decor materials, and basic event equipment. As a nano-enterprise, event management exemplifies experiential entrepreneurship transforming creativity, teamwork, and customer service into a viable, scalable business.

1.1.2.9 Handicraft Making

It refers to the production of handmade items such as bamboo crafts, pottery, handwoven textiles, embroidery works, jewellery, and decorative items using creative skills and locally available materials. This sector has huge demand in local markets and online platforms. It is lucrative business idea for nano entrepreneurs having creative skills for handicraft making. Such units require minimum investment and can be operated from home. Most handicraft businesses can be started with ₹10,000–₹50,000, mainly for raw materials, basic tools, and initial marketing.

1.1.2.10 Photography

There is a rising demand for visual content across social media, advertising, and event documentation. This in turn provides huge opportunities for professional and semi-professional photographers. So, a nano entrepreneurs having photography skills can undertake this as a profession. With a modest investment in a good DSLR or mirrorless camera, a nano entrepreneur can start the photography business a couple of essential lenses, basic lighting equipment, and editing software. From home-based photo shoots to outdoor sessions, photography offers the nano entrepreneurs great flexibility in location, timing, and specialization. Value-added services like photo editing, album designing, videography, short promotional reels for social media, and personalized photo gifts can also be provided beyond capturing photos. This would further help in maximising the income of the nano entrepreneurs.

1.1.2.11 Other Emerging Sectors

Some other profitable nano business ideas which could be started are discussed below:

i. **Beauty Services (Salons and Mobile Salons)**

Today, Beauty services have become a rapidly growing business sector offering grooming solutions such as hair styling, facials, threading, waxing, and bridal makeup. Nano Entrepreneurs can start small home-based salons or provide mobile salon services where they can visit customers at their homes, offering greater convenience and flexibility. This model requires low investment, mainly for basic tools, products, and a comfortable workspace. With good hygiene, skill, and customer-friendly behaviour, beauty service providers can easily build trust and attract regular clients. Social media platforms like Instagram and Facebook further help promote their work, allowing small salon owners to reach a larger audience at minimal cost.

ii. Content Monetization Businesses

Content monetization is an emerging sector these days. It refers to earning income through creating and sharing digital content through diverse platforms like YouTube channels, blogs, podcasts, or niche social media pages. The content may be related to diverse areas such as cooking, travel, education, beauty, technology, or personal finance. This opportunity could be fruitfully utilised by nano entrepreneurs. It can be started with a very little investment for smartphone, basic editing apps, and an internet connection. This makes it a highly suitable option for nano-entrepreneurs. Over time, they could generate income through multiple sources such as advertisements, sponsorships, affiliate marketing, and selling digital products.

iii. Wellness Services

Wellness Services are having huge demand these days as people today are prioritizing stress relief, healthy lifestyles, and rising awareness regarding physical and mental wellbeing. So nano entrepreneurs can utilise this opportunity and start small wellness centres requiring small investment which offer services like yoga training, fitness coaching, meditation sessions, massage therapy, and aromatherapy. Entrepreneurs can operate from a small studio, a home-based setup, or even offer online and doorstep wellness sessions. the demand for wellness services continues to rise. With the right expertise and a customer-centered approach, wellness entrepreneurs can create stable income streams and expand into workshops, group sessions, or premium wellness programs.

iv. Mobile Repairing and Accessories

As smartphones are now essential in daily life, and breakdowns require quick, affordable fixes mobile repairing sector is expanding rapidly. So, nano entrepreneurs could also set up small mobile repair shops offering screen replacements, battery changes, software updates, and basic repairs. Such business could be started from a small shop or even a home-based setup with basic training. This will require very little investment of around ₹30,000 to ₹1,50,000 depending on the size of the shop and the quality of tools purchased. In addition to this, they could also sell mobile accessories like chargers, earphones, phone cases, and screen guards. This business will help in providing huge scope to the nano entrepreneurs due to continuous demand.

v. Customised Gifts and Packaging Services

Another business idea which could be started by nano entrepreneurs with little investment is the business of preparing custom gifts and packaging services. This business can be started with minimal investment in craft materials and basic tools.It involves making handmade gift boxes, party hampers, customized prints, greeting cards, and decorative packaging for festivals, birthdays, weddings, and corporate events. This has huge scope these days due to the rising trend of personalized and aesthetic gifting solutions. This sector offers high demand especially during festive seasons and special occasions, making it profitable and flexible for small entrepreneurs.

vi. Digital & Tech-Enabled Nano Business Ideas

Digital and tech-enabled nano business ideas focus on the use of digital platforms and technology to start and operate small-scale enterprises with minimal investment. These businesses rely on tools such as the internet, digital applications, and online platforms to reach customers, deliver services, and manage operations efficiently. Such models lower entry barriers for entrepreneurs and create opportunities for self-employment and income generation.

a. Nano-scale cloud kitchens

Another profitable business idea for nano entrepreneurs are nano scale cloud kitchens. Nano-scale cloud kitchens operate with extremely low overheads by eliminating the need for dine-in spaces and focusing solely on online food delivery platforms. These ventures typically function from small kitchens or even home-based setups, using aggregator apps and social media for order generation, branding, and customer engagement. By limiting menus, optimizing sourcing, and relying on digital payment systems, nano-scale cloud kitchens enable aspiring food entrepreneurs to enter the market with minimal capital while still reaching a broad customer base.

b. AI-assisted content creation

AI-assisted content creation is a growing nano business model in which individuals use artificial intelligence tools to create written, visual, and multimedia content in an efficient manner. Nano Entrepreneurs in this field may offer services such as copywriting, blog and article writing, social media content creation, basic graphic design, video script writing, caption writing, and content editing. By combining subject knowledge with AI-based tools, individuals are able to meet the content needs of clients from different sectors, including marketing, education, e-commerce, and media.

The use of AI tools helps reduce the time and cost involved in content creation, allowing the entrepreneurs to handle multiple tasks while maintaining acceptable quality standards. AI also makes it easier to adapt content for different audiences, brands, and digital platforms. Since this business requires very limited physical resources mainly a computer, internet connection, and access to software it involves low initial investment and offers good potential for growth, making it a suitable and sustainable option for nano-level entrepreneurship.

c. Digital marketing freelancing

It refers to the practice of offering online marketing and promotional services to small and medium-sized businesses that do not have their own marketing departments. Nano entrepreneurs working in this field can specialize in specific areas such as social media management, search engine optimization, pay-per-click advertising, email marketing, or basic performance and analytics reporting. These services help businesses improve their online visibility, attract customers, and increase sales.

Such freelancers can operate remotely and require only basic resources, including a computer, internet connectivity, and access to digital marketing tools. They use online platforms to find clients, plan and execute marketing campaigns, and track results through simple performance measures. Due to low startup costs, flexible working conditions, and the ability to serve multiple clients at the same time, digital marketing freelancing is considered a highly accessible, adaptable, and scalable nano-level business model.

d. Online tutoring or skill-based coaching

This is another profitable nano business idea, which enables individuals to earn income by sharing their academic knowledge or professional skills through online teaching platforms. This model covers a wide range of activities such as academic tutoring for school and college students, language teaching, exam preparation, and coaching in skills such as coding, graphic design, music, or personal development. It provides learners with flexible access to education while allowing tutors to work from any location.

Nano entrepreneurs in this field can use digital tools such as video conferencing applications, learning management systems, and online study materials to conduct classes and share resources. Teaching may be delivered on a one-to-one basis or in small groups, which helps in providing personalized attention to learners. Since the required investment is low mainly limited to a computer, internet connection, and basic software, online tutoring and skill-based coaching offer a cost-effective and sustainable business opportunity with strong income potential.

Note : "Investment figures mentioned in this unit are indicative and may vary based on location, scale, and technology."

Recap

- ◊ A nano business unit refers to a business unit with a fixed capital investment not exceeding ₹10 lakh. Such businesses are engaged in manufacturing, services, or job work. These business units operates with a connected load of 5 HP or less and are classified under the white or green pollution control categories.
- ◊ Homestays, Local Guiding and Storytelling Services, Local Food and Tiffin Services for Tourists, Handicraft and Souvenir Stall, Bicycle and scooter rentals, Boat or Canoe Ride Services, Eco-Friendly Product Sales are some of the small scale business ideas that can be adopted by the nano entrepreneurs in the tourism sector
- ◊ A homemade food business refers to a nano business enterprise which prepares and sells food products directly from a home-based kitchen.
- ◊ Organic farming refers to the method of cultivating crops and rearing livestock

using natural processes that maintain soil fertility and ecological balance. This type of farming completely avoids from the use of chemical fertilizers, pesticides, or genetically modified seeds.

◊ A boutique refers to a small-scale clothing and accessories enterprise which specializes in custom-made, designer, or ethnic wear.

◊ Event management means organising social, cultural, and corporate events by integrating creativity, logistics, and marketing.

◊ Handicraft making refers to the production of handmade items such as bamboo crafts, pottery, handwoven textiles, embroidery works, jewellery, and decorative items using creative skills and locally available materials.

Objective Questions

1. What is the maximum connected load allowed for a nano business unit?
2. Which sector contributes significantly to India's GDP, exports, and employment generation?
3. What type of business employs fewer than five employees?
4. What is the maximum fixed capital investment allowed for a nano business unit in Kerala?
5. Under which pollution control category are nano business units classified
6. What type of facility converts raw food materials into value-added product?
7. Which business involves organising social, cultural, and corporate events through planning and coordination?
8. Which industry involves producing handmade items like bamboo crafts, pottery, and embroidery works?
9. Which service sector focuses on activities like yoga, fitness coaching, and meditation sessions?
10. Which emerging sector allows nano entrepreneurs to earn income by creating and sharing digital content online?

Answers

1. 5 HP
2. MSMEs
3. Nano
4. ₹10 lakh
5. Green or White
6. Food Processing
7. Event Management
8. Handicraft
9. Wellness
10. Content Monetization

Self Assessment Questions

1. Define *nano entrepreneurship*. Discuss their role in promoting self-employment and rural development in Kerala.
2. Discuss the potential of tourism as a small-scale business opportunity in Kerala. What types of nano enterprises can emerge in this sector?
3. Discuss the scope and growth potential of interior designing as a nano business in Kerala's urban areas.
4. What do you mean by organic farming? Discuss its importance for sustainable agriculture and entrepreneurship in Kerala.
5. Explain the various nano business ideas in the food processing sector.
6. List and explain the major value-added products that can be developed in a coconut-based nano food processing enterprise.
7. Evaluate the scope and profitability of small food processing units based on Kerala's agricultural produce such as jackfruit, and pineapple.

Assignments

1. Examine the potential of handicraft making as a nano business. How can locally available materials and traditional skills be used for income generation?
2. Assess the growing demand for photography services in Kerala. How can nano entrepreneurs utilize digital platforms to expand their customer reach?
3. Discuss the viability of agarbathi making as a nano enterprise. What factors make it a suitable business for home-based entrepreneurs?
4. Explain how event management can evolve into a successful nano business. What skills are essential for managing small social events effectively?
5. Analyse the challenges faced by home-based food businesses in maintaining quality, hygiene, and consistency. How can nano entrepreneurs overcome these challenges?

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Unit 2 Organising Resources

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ familiarise the procedure of mobilisation of finance and human resources
- ◊ understand the concept of operations planning, market and channel selection
- ◊ gain insight into the concept of product launching

Prerequisite

Asha is a young woman from a small town in Kerala. She always dreamed of becoming an entrepreneur. As she was skilled in making colourful, scented candles, she decided to start a small, home-based candle-making business. In order to materialise her dream, she began arranging the funds she needed. She used her small personal savings, borrowed a little sum of money from her parents, and took a small loan from a women's self-help group in her area. She purchased wax, molds, colours, and packaging materials using the limited capital she had. This effort to gather and manage money from different sources showed her ability to mobilize finance. Asha decided to seek help from the people around her as she could not afford to hire full-time workers for her business. She trained her younger sister to help with pouring and shaping the candles, while her neighbour assisted in labelling and packaging the candles. Thus, by organizing and using the skills of those close to her, Asha successfully mobilized human resources for her business. Asha planned her operations carefully once she started the candle production process. She prepared daily schedules, listing how much wax to melt, how many candles to make, and when to restock raw materials. She also tracked her expenses and sales in a notebook to avoid wastage and manage her limited resources wisely. This operations planning helped her run her business smoothly and maintain quality even as orders increased. When her first batch of candles was ready, she began exploring how to sell them. She visited nearby gift shops and spoke to store owners, offering to supply candles in small quantities. She also promoted her products online by sharing pictures on WhatsApp and Instagram. Finally, Asha prepared to introduce her products to a wider audience. During the town's annual festival, she booked a small stall at the local fair. She decorated it with flowers and fairy lights, displaying her beautifully crafted candles of various designs and fragrances. This marked her first successful product launch, where she introduced her brand to the public with confidence and creativity. Over time, Asha reinvested her earnings, improved her designs, and gained loyal customers both locally and online. Her small candle business gradually grew into a popular local brand. By managing her finances, using people's skills effectively, organizing her work, identifying her market, and launching her products strategically, Asha turned her small dream into a shining example of a successful nano enterprise. Asha's story highlights some of the important concepts like, finance mobilisation, human resource mobilisation, market and channel selection and product launching. This unit discusses more about these topics in detail.

Keywords

Human resource mobilisation, financial mobilisation, market selection, channel selection, product launching.

Discussion

1.2.1 Finance Mobilisation

Finance is an unavoidable prerequisite to start any business whether big or small. An entrepreneur can bring various resources like land, labour, capital, entrepreneurship and organisation. However, all this is possible only with the provision of appropriate finance. Hence, mobilisation of adequate finance is pivotal for the smooth flow of operations of the business.

Finance mobilization denotes the process involving activities such as identifying, securing, and utilizing funds required for the operation and growth of a business enterprise. It is not only concerned with the raising of funds but also involves managing it wisely to ensure the continuity and profitability of the business. Efficient mobilization of finance is crucial for survival and growth of a nano business which operates on a very small scale, often from home or a rented workspace. For a nano entrepreneur, finance is not just about borrowing funds. It also involves strategic planning, prioritizing expenses, and reinvesting profits to build self-reliance. Therefore, a nano entrepreneur must have a clear idea regarding the proportion of funds to be invested in fixed assets (such as machinery and tools) and the proportion of funds to be invested as working capital required for raw materials, wages, packaging, and marketing. Sound financial mobilization helps an entrepreneur to maintain financial discipline and avoid over-dependence on debt. Following are the different sources of finance for nano entrepreneurs.

1.2.1.1 Sources of Finance for Nano Entrepreneurs

Nano enterprises often operate at the household or neighbourhood level in small rent out spaces producing goods or offering services which often require minimal infrastructure and small investment such as food processing, tailoring, handicrafts, homemade snack production, or boutique operations and so on. However, nano entrepreneurs often lack collateral and formal financial records. Therefore, the choice of financing options must be practical, accessible, and cost-effective for such entrepreneurs. The sources of finance available to nano entrepreneurs can broadly be divided into internal and external sources. Internal sources refers to the funds which are generated from within the entrepreneur's personal or family resources, while external sources refer to financial assistance obtained from banks, government programs, or microfinance institutions. In most cases, the initial capital for nano businesses originates from internal sources, while expansion and modernization depend on external resources.

1. Internal Sources of Finance

This refers to the *funds which are generated within a business*. It includes personal savings, sale of assets, or working capital which are used to meet financial needs. It is the most common and immediate means of raising initial capital for a nano enterprise. These funds are usually free from formal procedures and interest obligations. Internal source of funds allows the entrepreneur to have greater flexibility and independence in business decision-making as these funds are usually free from formal procedures and interest obligations. For a nano entrepreneur, the main internal source of finance is his/ her personal savings.

a. Personal Savings

Personal savings forms one of the most common and basic sources of finance for nano entrepreneurs. It involves employment of one's own money for starting or expanding a business. This may have been saved by the nano entrepreneur from his / her personal income or earnings to start or expand a business. As the nano entrepreneur need not have to repay the amount to anyone, this source of fund enables the nano entrepreneur to have full control without having the need to repay anyone or pay interest. This fund is usually used by entrepreneurs to purchase tools, raw materials, and other essential equipments. This method allows the entrepreneur to maintain full ownership and control. One of the major advantages of using personal savings is that it reduces the burden of debt on the entrepreneur. The major limitation to this source of finance is that amount of money which is available may be limited. Hence, personal savings may not be sufficient for purchasing machinery or at the time of bulk raw material purchases,

2. External Sources of Finance

Most often, nano entrepreneurs will have to depend on external sources as their savings may not be sufficient to start or expand the business. External source of funds thus refers to the funds that come from outside the business rather than from the entrepreneur's personal savings. External source of finance includes deposits or borrowings received from Family/ Relatives and Friends, local money lenders, self - help groups and societies, micro finance institutions, government subsidies and schemes. These sources are usually required to be repaid with interest or come with certain conditions. For nano entrepreneurs, accessing external finance is essential for buying equipment, increasing production, or meeting daily operational needs. Following are the various external source of finance.

i. Deposits or Borrowings received from Family/ Relatives and Friends

It is quite common for nano entrepreneurs to depend on their family members and close friends for financial support when it comes to starting a business. This source of finance is particularly beneficial for first-time entrepreneurs who may not have the documents or credit history required by banks. Many nano businesses especially those run by women depend heavily on family support. This is also a convenient option for nano entrepreneurs due to flexible repayment terms and interest-free loans. Borrowing from people one trusts can make it easier to obtain funds quickly without going through lengthy application processes. However, it causes tension and damage personal relationships if the business struggles and the entrepreneur cannot repay on time. Therefore, while this method is convenient, it requires honesty and clear communication to maintain trust.

ii. Local Moneylenders

Local moneylenders are the second most important source of finance for the nano entrepreneurs. Local moneylenders provide quick loans without requiring paperwork or collateral. This makes them accessible to nano entrepreneurs who otherwise find it difficult to approach the banks or micro finance institutions. However, the major problem associated with this form of finance is that these loans often come with **very** high interest rates. So they can lead to debt traps if not managed carefully. Despite its disadvantages, small entrepreneurs still rely on moneylenders for urgent financial needs such as buying raw materials or repairing equipments. Even though this form of finance is convenient, it should be used cautiously and only for short-term requirements.

ii. Self-Help Groups (SHGs) and Cooperative Societies

These community-based organizations encourage members to save together and provide loans to one another when needed. Small entrepreneurs can easily borrow from them as these groups operate on mutual trust and shared responsibility. Another advantage of this source of finance is that the interest rates are usually low and repayment schedules are flexible. This makes borrowing easier for people with irregular income. However, the funds available are limited, and members will have to wait for their turn to borrow.

ii. Microfinance institutions

Microfinance institutions are organisations providing small loans to individuals who lack access to conventional banking services due to various reasons like lack of collateral or other formal financial records. They support low-income entrepreneurs and small business owners by helping them to start or expand their business ventures. However, the interest rates can be relatively be high as compared to formal banks. Still, microfinance plays a vital role in empowering nano entrepreneurs who lack collateral or formal financial records.

iii. Government Subsidies and Schemes

Government Subsidies and Schemes are another form of external source of finance. Governments provide various schemes and financial support programs to encourage self-employment and small businesses. Some of such schemes include the Pradhan Mantri Mudra Yojana (PMMY), and the Prime Minister's Employment Generation Programme (PMEGP). These schemes help nano entrepreneurs to access affordable credit and sometimes even provide grants to purchase equipment or raw materials.

iv. Banks and Cooperative Societies

Commercial banks and cooperative societies are also key external sources of finance for nano entrepreneurs. Banks provide small business loans, overdrafts, and working capital facilities, though they often require certain documents like ID proof, business registration, and financial statements. Cooperative societies, on the other hand, are community-based financial institutions. They collect savings from members and provide loans at lower interest rates. These cooperatives are especially popular in rural areas where formal banking services are limited. Both banks and cooperatives help nano entrepreneurs to meet short-term and long-term financial needs, though bank loans may take longer to process.

iv. Trade Credit

Trade credit is another external source of finance that helps nano entrepreneurs. It refers to an arrangement where suppliers allow the customers to purchase goods or materials on credit and pay for them usually within 30 to 60 days. This form of finance is highly convenient for small shop owners, street vendors, or producers who need stock before they receive cash from customers.

v. Digital lending platforms

Such platforms use technology-driven processes to offer loans to individuals and MSMEs with minimal paperwork and faster approval times. By leveraging data such as bank statements, GST records, and digital transaction histories, these platforms assess creditworthiness more efficiently than conventional lenders. As a result, small businesses can access formal credit even with limited collateral, supporting business expansion, asset acquisition, and operational stability.

vi. Buy-Now-Pay-Later (BNPL) options for MSMEs

This allow businesses to purchase goods or services immediately and defer payment to a later date, often without interest for a short period. This model improves cash flow management by enabling enterprises to meet operational needs without immediate financial pressure. BNPL solutions are particularly useful for inventory procurement and recurring business expenses, helping MSMEs maintain continuity in operations while managing liquidity effectively.

vii. Crowdfunding models

Crowdfunding models such as reward-based and donation-based funding, offer alternative financing options by raising small contributions from a large number of individuals through online platforms. In reward-based crowdfunding, contributors receive non-financial rewards such as products, services, or acknowledgments, while donation-based crowdfunding relies on voluntary contributions without expectations of returns. These models are especially beneficial for nano businesses, as they provide access to capital, market validation, and public visibility without incurring debt.

1.2.2 Human Resource Mobilisation

1.2.2.1 Meaning of Human Resource Mobilisation

Human resources refer to the people working in an organisation. Human resources are the most vital resource of an organisation as they contribute their time, skills, knowledge, and their expertise for the effective functioning of an organisation. Hence, mobilising the right human resources is imperative to the future progress and success of an organisation.

Human resource mobilisation refers to the process of identifying, attracting, selecting, developing, and effectively utilizing human resources to achieve organizational goals. It involves bringing together the right number of workers with the right skills and assigning them suitable roles. The main aim of human resource mobilisation is to ensure that the organisation has the required manpower needed to perform its activities smoothly and efficiently. It also includes motivating and retaining employees so that the work continues without interruption.

Human resource mobilisation is very important in a nano enterprise, because nano business usually works with very few employees . The nano entrepreneur must therefore plan the manpower carefully, select right workers or employees possessing the relevant skills, aptitude or knowledge, and allocate tasks based on each person's abilities. Effective human mobilisation helps to reduce costs, increase productivity, and maintain quality even with a small workforce. Therefore, mobilising human resources properly enables a nano enterprise to run smoothly and grow despite its limited size.

Mobilising human resources in a nano business means using the available people whether family members, employees, or helpers in the most effective way to achieve business goals. Since nano businesses have limited manpower, every person's effort plays an important role in success. The entrepreneur must therefore plan carefully how to train, motivate, and coordinate people to get the best results. Effective mobilisation helps the business run smoothly, grow steadily, and remain competitive even with limited resources.

1.2.2.2 Process of Human Resource Mobilisation

1. Human Resource Planning

It is the first stage where the nano entrepreneur identifies how many workers are needed for carrying out the functions of the nano business and what skills they possess. In the case of nano businesses which employs less than 5 employees, human resource planning is extremely important as it helps to decide whether the business requires full-time workers, part-time helpers, or only the entrepreneur's own skills. This stage helps to ensures that the business does not hire more people than necessary and remains cost-effective. Thus proper manpower planning also helps match tasks with available manpower in an efficient way.

i. Recruitment

This stage involves finding the suitable or eligible people possessing the required skills, knowledge and competencies for working in the nano enterprise. In small businesses, recruitment process is usually done through informal sources such as family networks, friends, local communities, or references. The main aim is to identify trustworthy and skilled individuals who can work efficiently with limited supervision.

ii. Selection

It is the process of choosing the right person from the group of candidates identified during recruitment process. Practical skills, willingness to learn, work attitude, and reliability of candidates are usually used as selection criteria by nano entrepreneurs rather than their formal qualifications. For example , in the recruitment to a stitching unit , a simple demonstration of stitching skills like stitching for a specific piece of attire may be used for assessment.

2. Training and Skill Development

After selecting employees, the nano entrepreneur must provide basic training to the employees so that they can understand the work process clearly. Training process may range from demonstrating how to use simple tools, follow hygiene practices, how to operate small machines, and interact with customers. Most training is on-the-job and practical since nano enterprises focus on low-cost operations,. This stage improves employee efficiency and reduces errors, helping to maintain consistent quality.

3. Deployment and Work Allocation

Deployment is the stage where the employees are placed in appropriate roles based on their skills and strengths. In nano businesses, workers often have to perform multiple tasks due to the limited number of employees. For example, one worker may help with production, packaging, and customer service. Clear work allocation ensures that all tasks are completed smoothly and reduces confusion or duplication of effort. This stage helps the business function in a well-organized manner.

4. Performance Monitoring

It very important for the nano entrepreneur monitor the performance of the employees. Monitoring helps to identify whether work standards are met in terms of quality, speed, and customer service. In nano enterprises, feedback mechanism is usually direct, simple, and immediate. This helps the employees improve their performance quickly. This stage is important to ensure that the limited manpower is used efficiently and the business maintains its reputation.

5. Motivation and Retention

Motivating employees is also essential for retaining skilled workers in a nano business. Employees can be motivated through simple actions like appreciation, flexible work timings, small incentives, promoting communication, teamwork or creating positive environment. This prompts the employees to stay longer. Retaining trained workers reduces the cost and effort of hiring new staff frequently. A motivated team contributes to higher productivity and better customer satisfaction.

1.2.2.3 Hiring Methods for Nano Business

Unlike large organizations, nano businesses rely on simple, flexible, and cost-effective ways to engage workers according to their operational needs. Therefore, nano entrepreneurs adopt informal and alternative hiring methods that enable them to mobilize labour efficiently while maintaining flexibility and controlling employment costs. Following are some of the hiring methods that are used by nano businesses

i. Self-employment and family-based labour

In many nano businesses, the entrepreneur and family members perform most of the business activities, especially in the early stages. This reduces labour costs and ensures trust and flexibility. For example, in a home-based bakery, the owner may handle production while family members assist with packaging, billing, or local deliveries. Similarly, a small neighbourhood retail shop may be run by the owner with help from relatives during peak hours.

ii. **Community-based hiring**

Community-based hiring involves recruiting workers from the immediate local area or neighbourhood in which the nano business operates. This strategy is widely adopted because it reduces recruitment costs, ensures easy availability of labour, and builds trust-based working relationships. For example, a nano-scale tailoring unit may hire women from the same neighbourhood to assist with stitching and finishing work on a piece-rate basis. A small home-based food processing or pickle-making unit may employ nearby residents for cleaning, cutting, and packaging during bulk orders.

iii. Skill sharing and multitasking

In nano businesses, workers often perform multiple roles to maximize productivity. For example, in a small service enterprise, one worker may handle customer service, inventory management, and basic record-keeping. This reduces the need for additional staff and is effective where the workforce is very limited.

iv. Gig economy

The gig economy refers to a work arrangement in which individuals are hired for short-term, task-based assignments rather than as permanent employees. In nano businesses, this model is applied by engaging workers only when specific services are required. For example, home-based cloud kitchens and small online retail sellers commonly use gig workers as delivery partners or order-handling staff through digital platforms. This enables nano entrepreneurs to manage fluctuating demand efficiently without the financial burden of maintaining full-time employees.

v. Freelancers

Freelancers are independent professionals who offer specialized services on a project or contract basis. Nano businesses use freelancers to access skilled expertise that is not required on a continuous basis. For instance, digital marketing startups, AI-assisted content creators, and online tutors often hire freelancers for tasks such as graphic design, content editing, bookkeeping, or website development. This approach allows nano enterprises to maintain professional standards while keeping operational costs low.

vi. Flexible workforce models

Flexible workforce models include part-time, remote, and time-bound employment arrangements that allow businesses to adjust their workforce according to operational needs. In nano businesses, these models are widely applied to manage limited resources and variable workloads. For example, coaching centres, small service providers, and e-commerce sellers may engage assistants, customer support staff, or instructors only for specific hours or periods. Such flexibility helps nano businesses mobilize human resources effectively while supporting operational efficiency and long-term sustainability.

1.2.3 Operations Planning

Every organization whether big or small needs to plan its operations in order to ensure the smooth flow of operations. Otherwise, it may cause confusion, resource wastage, delays, and poor performance. Thus, operation planning involves outlining the specific tasks, timelines, resources, and responsibilities needed to achieve the goals of an organisation. In other words, it refers to the process of deciding how the work of an organization should be carried out in advance to achieve its objectives efficiently. This is done by determining what tasks need to be done, when they should be done, who should do them, and how resources should be used to complete them. It acts as a roadmap for day-to-day business operations and ensures that everything functions smoothly. Operations planning helps to coordinate activities such as production, purchasing, staffing, and quality control. Operations planning mainly aims to ensure that resources such as labour, materials, equipment, and time are used effectively to meet customer demand and organizational goals.

In the context of a nano enterprise**,** operations planning means organizing the limited resources effectively to carry out daily tasks. Since nano businesses have very limited scale of operations, operations planning is even more crucial to ensure smooth functioning. It involves deciding how to use available materials, time, and manpower to produce goods or deliver services efficiently. For example, a small tailor shop must plan how many garments to stitch per day, what materials to buy, and when to deliver them. Thus, operations planning helps nano entrepreneurs manage work in an orderly, cost-effective, and timely manner.

1.2.3.1 Significance of Operations Planning in a Nano Business

i. Efficient Use of Limited Resources

A nano enterprise has very limited resources at its disposal. It has to operate with very limited financial, material, and human resources. So it has to utilise every bit of money, time, and manpower in the most effective manner. Operations planning helps the entrepreneur to decide how to allocate these scarce resources in the most effective manner. It helps to prevent unnecessary use of materials and ensures that each worker's effort contributes productively. In this way, operations planning helps a nano business to gain more using limited resources.

ii. Avoidance of Wastage and Losses

Even a small amount of wastage can lead to significant losses for a nano business. There is a risk of over-ordering of materials, idle time, or unfinished work without proper planning. Operations planning helps to avoid these problems by setting clear guidelines regarding when and how work should be done. It ensures that raw materials, labour, and money are used efficiently and not wasted. As a result, a nano enterprise can exercise control over its costs and increase profitability.

iii. Ensures Timely Production and Delivery

Timely delivery of products or services is an important factor which determines customer satisfaction. Operations planning helps a nano enterprise to schedule each activity properly so as to complete its work within deadlines. This helps to avoid delays as the entrepreneur knows exactly what needs to be done and when. This organized approach allows the business to handle multiple orders efficiently. Timely completion builds customer trust and encourages repeat business.

iv. Better Time Management

Operations planning helps a nano entrepreneur to manage time wisely by dividing tasks into priorities and setting deadlines. It thus helps to reduces stress by setting a clear routine to follow each day. Thus operations planning through good time management ensures that all activities are completed smoothly and efficiently.

v. Helps to ensure smooth work flow

An organized structure for how work will be done and who will do it is established in the process of operations planning. It helps to arrange business activities in a proper sequence so that production flows smoothly from one step to the next. When tasks are clearly assigned, workers know their roles and responsibilities. This helps in reducing confusion and overlapping of work and achieving coordination between people and tasks becomes easier, even in a small team. This smooth workflow helps the nano enterprise maintain productivity and consistency.

vi. Reducing Risk and Uncertainty

Small businesses are often more vulnerable to risks such as supply shortages, machinery breakdowns, or sudden changes in customer demand. Operations planning helps the entrepreneur anticipate these risks and prepare for them in advance. For example, keeping a small stock of essential materials or having alternate suppliers can prevent disruptions. Planning provides a sense of direction and readiness to face unexpected challenges. As a result, the business becomes more stable and resilient.

1.2.4 Market Selection

Market selection means the process of identification and selection of the most suitable market or group of customers for selling the products or services of a business. It involves studying different markets, understanding needs of the customers, analyzing the competitors, and then deciding where and to whom the business should sell its products. Market selection aims to target customers who are most likely to buy the product and help the business to earn the profits. This process thus enables a business to utilise its resources wisely and avoid wastages. In simple words, it is about choosing the right place and the right people to sell a product or service of a business.

So, in the case of a nano enterprise, market selection means the process of selecting a small, suitable market where the nano entrepreneur can easily reach customers and sell its products successfully. Since nano enterprises operate on a limited scale employing limited money, workers, and production activities, it is not possible for them to sell their products everywhere. A nano entrepreneur must therefore must select markets where there is good demand, less competition, and where customers could afford their products or services. In short, market selection helps a nano entrepreneur to focus on the right customers and the right places, thus making the best use of limited resources. For example, a home-based baker instead of trying to serve distant areas, should try sell within his/her neighbourhood or local markets

1.2.4.1 Significance of Market Selection for a Nano Business

i. Efficient Utilisation of Limited Resources

Efficient Market selection helps a nano entrepreneur to focus on those markets where there is real demand for their products or services. This in turn helps to prevent the wastage of time, money, and effort which occurs by attempting to selling the products everywhere. Concentrating on a specific market helps to attain results through the better utilisation of the scarce resources. Thus, market selection keeps the nano enterprise focused and goal-oriented.

ii. Clear Identification of Customer Needs

Market selection gives the nano entrepreneur a clear direction about whom to serve and how to serve them. In other words, market selection allows a nano entrepreneur to clearly identify who their target customers are and what they want. This enables a nano entrepreneur to study the preferences of the customers, their buying habits, and expectations by focusing on a particular market. This in turn helps in creating or improving products that meet customer needs better.

iii. Reduces Business Risk

Market Selection helps to reduce the risks and uncertainties faced by a nano entrepreneur. When the business serves a suitable market where demand is stable, it will be able to maintain a steady sales and income. Entering the wrong market may lead to unsold products, losses, or even business failures. Through proper market selection, a nano entrepreneur can avoid these risks by targeting areas where it is likely to achieve. Therefore, market selection acts as a safety measure against business uncertainty.

iv. Helps in Facing Competition from Big Brands

Nano enterprises cannot easily compete with large companies. Thus, by carefully selecting a small market, the entrepreneur can avoid direct competition from big brands. This gives the nano business a better chance to grow in a smaller, less crowded market. For example, , a handmade crafts seller can focus on local fairs or online buyers who prefer unique products instead of selling to the entire city.

v. Ensures Customer Satisfaction

When a nano entrepreneur selects the right market, they can offer products that suit the needs and preferences of the customers. This leads to higher satisfaction and more repeat customers. Happy customers are more likely to recommend the business to others, helping it grow through word-of-mouth. Market selection ensures that the entrepreneur focuses on customers who truly value their products. Therefore, it becomes an important factor in building trust and a good reputation in the market.

vi. Increases Profitability

A nano entrepreneur can sell products more easily by selecting the right market. Since a specific group of customers are targeted by the business, sales efforts become more easy, effective and cost-efficient. It helps to bring down the marketing expenses and ensure better use of resources. When the products match the needs of the chosen market, sales volume increases, and profits rise. Thus, market selection ultimately aids in improving the financial performance of the nano enterprise.

vii. Helps in Long-Term Growth

Market selection helps a nano entrepreneur to gain a a stable customer base and a strong foundation for future expansion. Once the business gains a good reputation in one market, it can gradually be expanded to nearby areas or similar markets. Thus, consistent sales in a selected market will also help in strengthening the business, ensure steady progress and helps in future growth of the business

1.2.5 Channel Selection

Channel Selection means choosing the distribution path or marketing channel that will be used for delivering the products to the customers. In other words, it means deciding how a product or service will reach the target customers. A marketing channel may be direct channel (which involves selling products straight to customers) or indirect channel (which involves selling products through middlemen such as wholesalers, retailers, or online platforms). Several factors like product type, cost, customer location, and the business's size and resources determine the selection of the channel. In simple terms, channel selection ensures that the product reaches customers conveniently, quickly, and cost-effectively.

Channel selection is extremely important for a nano enterprise as they are very small businesses which operates with limited funds, workers, and production capacity. So it is imperative for them to choose simple and affordable ways to sell their products as these businesses cannot afford complex or costly distribution systems. For example, a nano entrepreneur can sell their products directly to customers through local markets, door-to-door sales, or social media platforms like WhatsApp and Instagram. Choosing direct channels helps them to save money and build personal connections with their customers. Therefore, channel selection helps nano entrepreneurs to reach buyers efficiently while keeping costs low and profits stable**.**

1.2.5.1 Significance of Channel Selection for a Nano Business

i. Helps in Reaching Customers Easily

Through selecting the right channel a nano enterprise can ensure that its products reaches the customers quickly and conveniently. Choosing an appropriate distribution method helps a nano business to connect directly with their buyers. For example, a nano entrepreneur can sell goods through local shops, nearby markets, or even door-to-door delivery. The right channel makes it easier for customers to find and buy the product without delay. Therefore, channel selection helps to bridge the gap between the nano business and its customers.

ii. Reduces Distribution Costs

Channel selection allows nano businesses to choose the most affordable and practical method of distribution of their products. As nano enterprises operate with very limited financial resources, it is very important for them to keep their costs under control. So, instead of using intermediaries like wholesalers or agents, nano entrepreneurs can directly sell through local markets or online platforms. This not only helps in saving money on commissions and transport but also helps in retaining higher profit margins. Thus, the right channel helps to reduce overall business expenses while increasing profitability.

iii. Improves Customer Satisfaction

Like any business, customer satisfaction is vital for the continued growth of a nano business,. Customers appreciate quick service and personal attention. This helps to gain their trust. When a nano entrepreneur selects an efficient and convenient channel, it ensures that products are delivered on time and in good condition. For instance, direct selling allows entrepreneurs to communicate directly with buyers and understand their feedback or preferences. This helps the business improve its products and services based on customer needs. Therefore, effective channel selection plays a major role in keeping customers happy and loyal.

iv. Builds Strong Customer Relationships

Direct channels, such as face-to-face selling or online chats, help nano entrepreneurs to build personal relationships with their customers. These interactions create a sense of trust and familiarity, which is very valuable for small businesses. When customers know the seller personally, they are more likely to buy again and recommend the business to others. This long-term relationship helps the entrepreneur to maintain a stable customer base. Thus, selecting a channel that allows regular communication and connection strengthens the bond between the business and its customers.

v. Enhances Market Reach

Proper channel selection allows even a very small business to reach customers beyond its immediate neighbourhood. Online platforms, digital marketplaces, and social media help nano entrepreneurs attract buyers from wider areas. This expansion increases brand visibility and sales potent

1.2.6 Product Launching

Product launching refers to the process of introduction of a new product or service into a market for the first time. The purpose of product launching is to make customers aware of the product and encourage them to buy it. It usually involves using several mediums like advertising, demonstrations, special offers, or events to promote the new product. In simple words, product launching is about officially starting the sale of a new product and making it known to the target customers.

Product launching is equally important for a nano business because it happens on a smaller scale. Since such businesses cannot spend a lot on advertising or events, they rely on simple and cost-effective methods to introduce new products. For example, a nano entrepreneur can launch its products through word-of-mouth, social media platforms like WhatsApp or Instagram, or by displaying it in local markets. They might also offer free samples or discounts to attract initial customers. Hence, even with limited resources, a nano enterprise can successfully launch a product by being creative and using personal networks.

1.2.6.1 Need or Significance of Product Launching for a Nano Business

i. Creates awareness among Customers

The main purpose of product launching is to inform the potential customers that a new product is available in the market. Nano enterprises usually depend on local customers who may not know about new products unless they are properly introduced. Launching a product helps to attract attention and spreads awareness through word-of-mouth, social media, or local advertisements. This awareness encourages customers to try the new product. Thus, product launching helps nano entrepreneurs to reach their target audience effectively.

ii. Builds Customer Interest and Excitement

A well-planned product launch helps to generate interest and excitement among customer which in turn motivates them to buy the new product. This initial excitement often leads to higher sales during the launch period. Therefore, product launching helps to create a positive first impression in the minds of customers. For a nano enterprise, it is very essential to generate curiosity regarding the products in the minds of the consumers. Only then they will be able to convert this as sales and compete with the larger businesses. An nano entrepreneur can use simple promotions, such as discounts or free samples, to attract buyers.

iii. Increases Sales and Market Opportunities

Product launching ultimately aims to increase sales by reaching out to more customers. A successful launch will help in opening up new markets i.e, selling in nearby areas or through online platforms. More customers and markets will aid in contributing to higher revenue generation and business growth. Hence, product launching directly contributes to expanding sales and profits.

iv. Builds Brand Image and Trust

Product Launching enables a nano enterprise to build a strong reputation for reliability and creativity. It is because customers start recognizing the brand as active, innovative, and customer-focused. In addition to this, a professional-looking launch even if it is simple gives customers the confidence that the business is serious and trustworthy. Over time, this trust leads to customer loyalty and word-of-mouth marketing. Thus, product launching helps small businesses to strengthen their brand image.

v. Helps Collect Customer Feedback

Product launching provides an opportunity for the nano entrepreneur to get instant customer reactions and feedback from the customers about the new product. Early buyers can share their opinions on quality, price, and usefulness, which helps in improving the product. This feedback is valuable for making adjustments before larger-scale production or marketing. Listening to customers also makes them feel valued and respected. Therefore, a product launch helps in both marketing and continuous improvement of the product.

vi. Supports Business Growth and Innovation

Launching new products shows that the business is growing and willing to innovate. For a nano enterprise, introducing new products helps to attract new customers while keeping existing ones interested. It also allows the entrepreneur to respond to changing customer needs or trends. Regularly launching new or improved products helps the business to remain competitive in the market. Hence, product launching plays a key role in the long-term success and sustainability of a nano enterprise.

1.2.6.2 Steps involved in the Product Launching for a Nano Business

i. Idea Generation

Idea generation is the first stage in launching of a product. It is the stage where the nano entrepreneur identifies a profitable business opportunity based on customer needs, market trends, or locally available resources. The ideas could be generated through various sources like customer feedback, personal skills, competitors, or problems faced in the community. This stage is crucial for a nano enterprises as they have limited financial resources. So, a nano entrepreneur must select practical, low-risk ideas.

ii. Market Research and Feasibility Study

The second step to be undertaken by the nano entrepreneur in launching of a product is to study the market. This helps in gaining insights regarding who the customers are, what the customers need, what price they will be willing to pay, what competitors are offering, and what gaps exist. In the case of a nano enterprise, market research can be done in an informal manner through observing the customer behaviour, asking their opinions, conducting small surveys or checking demand in local areas. This stage helps to determine whether the idea is practical and profitable with limited resources. It also allows the entrepreneur to refine the product idea before investing money.

iii. Product Development

The next step after market research is the development of the product. It is the stage where a nano entrepreneur designs and prepares the new product. While designing the product, a nano entrepreneur must ensure that the product is of good quality, is affordable, and attractive to the target customers.

iv. Pricing and Planning the Launch

The next step is to determine the selling price of the product. Nano entrepreneurs must consider production costs, packaging expenses, competitor pricing, and customer willingness to pay while fixing the prices. Nano businesses often use simple cost-plus pricing, where the selling price is calculated by adding a small profit margin to the total cost. However they should be still affordable to customers. Parallel to this the nano entrepreneur should also plan when and where the product will be launched. A new product may be launched during many occasions like during festivals, local fairs, or randomly on social media.

v. Production Planning

It involves deciding how and when the product will be produced. It includes planning the quantity of raw materials, scheduling production activities, and ensuring proper storage. Production planning helps avoid wastage and delay as nano businesses operate with limited space and labour. For example, a handicraft maker will plan the number of items to produce weekly based on the number of customer orders. Efficient production planning ensures timely delivery and smooth operations.

vi. Packaging and Branding

Simple and cost-effective packaging can be used by nano entrepreneurs. Good packaging not only protects the product but also helps build trust among customers. This stage directly influences customer buying decisions. Branding includes choosing a name, logo, and style that reflect the product's uniqueness.

vii. Channel Selection

In the next stage, a nano entrepreneur must decide how to distribute its products to the customers. Products could be sold through direct selling, local shops, home delivery, WhatsApp groups, or online platforms such as Instagram or Facebook. Choosing the right channel ensures the product reaches the target customers quickly and conveniently. Good distribution methods helps to expand market reach even with limited resources of the nano business.

viii. Promotion

Promotion means spreading awareness about the new product that is going to be launched. As a nano entrepreneur does not have huge financial resources at his disposal cost effective and simple ways like posters, flyers, WhatsApp messages, Instagram posts can be used for promotion. Customers could also be communicated directly by the nano entrepreneur. Small promotions like discounts or free samples can also help attract attention and encourage first-time buyers.

ix. Test Marketing

Before launching the product it is very essential to conduct the test marketing. The nano entrepreneur may conduct test marketing by selling the product to a small group of customers. This will help to gain insights about the performance of the product that is going to be launched about the features of the product, quality, packaging, or pricing. Based on this feedback, necessary improvements can be made. Test marketing helps to reduce the risk associated with product failure and ensures that the product meets customer expectations

x. Final Launch

It is the stage where the product is officially introduced by the nano entrepreneur to the market. The nano entrepreneur begins selling the product to customers through local shops, stalls, or online platforms. They may also display it in their store with special decorations or introductory offers to attract buyers. At this stage, customer responses, sales trends, and feedback are closely monitored.

Recap

- ◊ Finance mobilization denotes identifying, securing, and utilizing funds required for the operation and growth of a business enterprise.
- ◊ Human resource mobilisation refers to the process of identifying, attracting, selecting, developing, and effectively utilizing human resources to achieve organizational goals. It involves bringing together the right number of workers with the right skills and assigning them suitable roles
- ◊ Operation planning involves outlining the specific tasks, timelines, resources, and responsibilities needed to achieve the goals of an organisation. In other

words, it refers to the process of deciding how the work of an organization should be carried out in advance to achieve its objectives efficiently.

◊ Market selection means the process of identification and selection of the most suitable market or group of customers for selling the products or services of a business.

◊ Channel Selection means choosing the distribution path or market channel that will be used for delivering the products to the customers. In other words, it means deciding how a product or service will reach the target customers.

◊ Product launching refers to the process of introduction of a new product or service into a market for the first time. The purpose of product launching is to make customers aware of the product and encourage them to buy it.

Objective Questions

1. What type of planning helps a nano enterprise manage its daily tasks efficiently?
2. What essential business aspect is improved through consistent quality and timely delivery?
3. *The* process of identification and selection of the most suitable market or group of customers is referred to as ?
4. What is the process of introducing a new product or service into a market for the first time?
5. Which term means choosing the path through which a product will be delivered to customers?
6. What refers to planning tasks, timelines, and resources in advance to achieve organisational objectives?
7. Which process refers to identifying, attracting, selecting, developing, and effectively utilizing human resources?
8. The stage where a nano entrepreneur designs and prepares the new product is referred to as
9. What stage involves creating awareness about the product before the launch?
10. In which stage is the product introduced to a small group of customers for feedback?

Answers

1. Operations Planning
2. Customer Satisfaction
3. Market Selection
4. Product Launching
5. Channel Selection
6. Operations Planning
7. Human Resource Mobilisation
8. Product Development
9. Promotion
10. Test Marketing

Self Assessment Questions

1. Explain the steps involved in the Product Launching for a nano business.
2. What do you mean by operations planning? Explain its significance in a nano business.
3. What are the different external source of finance for a nano business?
4. Discuss the concept of Human Resource Mobilisation
5. What do you mean by Market Selection? Explain the significance of market selection for a nano business.
6. Explain the different stages in the launching of a product in the case of a nano business.

Assignments

1. Explain how effective operations planning can improve productivity and customer satisfaction in a nano enterprise with limited resources.
2. Explain how operations planning helps a nano enterprise maintain consistent output even with seasonal fluctuations in demand.
3. How does effective human resource mobilisation help a nano enterprise manage its limited manpower and improve productivity?
4. Explain why assigning workers suitable roles is crucial for the smooth functioning of a nano business with fewer employees.
5. Explain how digital platforms can support channel selection, promotion, and product launching for nano entrepreneurs.

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BLOCK 2

Business Planning and Structure

Unit 1
Developing a Business Plan

Learning Outcomes

After completing this unit, the learner will be able to:

◊ explain the concept of Business Plan

◊ gain insight into the Business Model Canvas

◊ familiarise the Business Planning Process

Prerequisite

Rohan is an undergraduate student. He loves making homemade millet laddus. His friends always praised the taste and encouraged him to sell them. So, he decided to start a nano business called *NutriBites*, selling healthy, homemade snack packs. Rohan began his business by setting business goals and objectives. His main goal was to "promote healthy snacking options in his locality." To support this, he created clear objectives. He aimed to produce 100 snack packs in the first month. He used a Business Model Canvas, a strategic tool which enables him to see and analyse the various elements of his business on a single page. He identified that his customer segments were gym-goers and office workers. He built a value proposition around nutritious, preservative-free snacks. The key resources of his business were ingredients and packaging and the key activities of his business were the preparation of snacks, branding, and delivery. He also planned his revenue streams by pricing small and large packs differently.. Rohan researched competitors, calculated the cost of production, planned his marketing strategy through social media, and drafted simple financial projections. After this, he followed the business planning process which involves various steps like defining business goals, developing strategies, allocation of resources, and outlining the actions needed to achieve those goals. Business planning process gave him confidence and clarity. Soon, *NutriBites* launched in his area, and customers appreciated the quality and freshness. Rohan's story highlights how a nano business can successfully apply business goals and objectives, the Business Model Canvas, and the business planning process to turn a simple idea into a sustainable entrepreneurial venture. This unit discusses more about Business plan, Setting Business objectives and goals, Business Model Canvas and Business Planning Process in detail

Keywords

Business Plan, Business Model Canvas, Business Planning Processes

Discussion

2.1.1 Business Plan

A Business Plan can be considered as a roadmap to the business one intends to start. Formulation of a business plan is one of the first cornerstones to be laid in setting up of a business enterprise. It is a document outlining the major objectives of a business and the strategies that will be adopted by the business to achieve them. It typically includes various aspects such as mission statement, market analysis, products or services offered, target market demographics, marketing strategies, operational plan, and financial projections of the business. A well-crafted business plan is imperative for attracting investors and securing funding. Start-ups can use the plan to convey their vision and potential profitability, instilling confidence in stakeholders. It is also useful for well-established businesses to assess their current position, identify new opportunities or challenges, and realign their strategies accordingly. Thus, a comprehensive business plan serves as a vital aid in decision-making. In short, a business plan serves as a strategic blueprint, guiding a company's growth and providing a framework for evaluating its success. It incorporates both the aspirations of the business and the practical steps needed to turn those aspirations into reality.

According to Mar.J.Dollinger business plan is defined as "the formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture."

According to Jack M. Kaplan "The term business plan means the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there."

2.1.1.1 Contents of Business Plan

The business plan is known by different names according to the interested audience. When the business plan is presented to a bank, it may be called a loan proposal, a venture capital group might call it the 'venture plan' or 'investment prospects', whereas a common man may term it as 'project report. Regardless of this difference, it serves the same purpose ie, to act as a road map in setting up a business enterprise.

A general set of information given in any project report or business plan is listed by Vinod Gupta (1999) in his study on "Formulation of a Project Report". According to him, a business plan consists of the following;

1. General Information
2. Project Description
3. Market Potential
4. Capital Costs and Sources of Finance
5. Assessment of Working Capital Requirements
6. Other Financial Aspects
7. Economic and Social Variables
8. Project Implementation

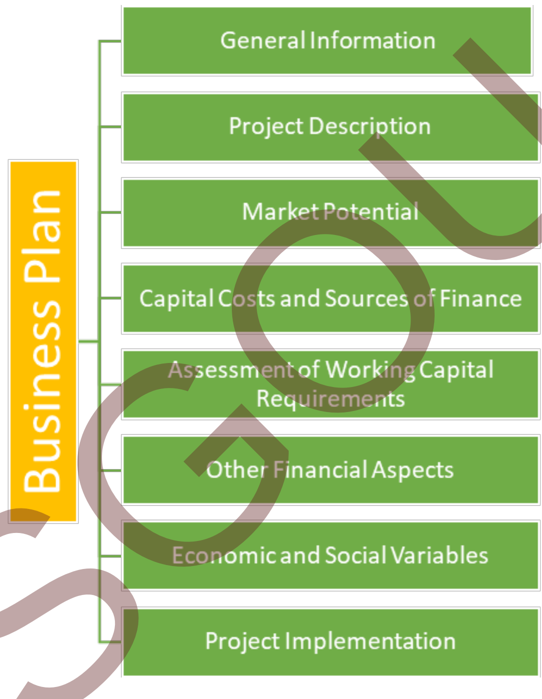

Fig No 2.1.1: Contents of Business Plan

2.1.1.1.1 General Information

The general information consists of the following details :

i. **Bio-data of Promoter:** It consists of the name and address of entrepreneur, his educational qualifications, experience and other capabilities. If it is a partnership firm, then the characteristics of all the partners are stated individually.

ii. **Profile of the Industry :** It includes the reference of the analysis of industry belonged by the relevant project or business. It includes detailed description of the industry past performance, present status, its organisation, its problems, etc.

iii. **Constitution and Organisation:** It includes the details regarding the constitution and organisational structure of the enterprise.

For example, in case of partnership firm, the details like its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of industries/District Industry Centre, etc. are mentioned

iv. **Product Details:** It includes details like the product utility, product range, product design, advantages to be offered by the product over its substitutes, and so on.

2.1.1.1.2 Project Description

It includes the following details.

i. **Site:** It includes details regarding the Location of the enterprise, whether it is owned or leasehold land, whether it is an industrial area and finally No Objection Certificate (NOC) from the Municipal Authorities if the enterprise location falls in a residential area.

ii. **Physical Infrastructure:** It includes information related to

Raw Material: It mentions the raw material required, whether inland or imported, and sources of raw material supply.

Skilled Labour: Availability of skilled labour in the area, arrangements for training labourers in various skills.

iii. **Utilities :** These include Power, Fuel and Water

iv. **Other information**

Pollution Control (sewage systems), Communication System (availability of communication facilities), Transport Facilities (Requirements for transport, mode of transport), Other Common Facilities (Availability of common facilities like machine shops, welding shops), Production Process (production process involved and period of conversion from raw material into finished goods), Machinery and Equipment (A complete list of items of machinery and equipment required indicating their size, type, cost and sources of their supply, Capacity of the Plant (The installed licensed capacity of the plant, Technology Selected, Research and Development (mention of proposed research and development activities to be undertaken in future.)

2.1.1.1.3 Market Potential

It includes the details like Demand and Supply Position, Expected Price of the product, Marketing Strategy, After-Sales Service and Transportation Requirement.

2.1.1.1.4 Capital Costs and Sources of Finance

It includes an estimate of the various components of capital items like land and buildings, plant and machinery, preliminary expenses and margin for working capital.

It also includes probable sources of finance including the details of owner's funds together and the details funds raised from financial institutions and banks.

2.1.1.1.5 Assessment of Working Capital Requirements

It includes the description of the working capital requirement and its sources of supply.

2.1.1.1.6 Other Financial Aspects

In order to adjudge the profitability of the project to be set up, a projected Profit and Loss Account, a projected Balance Sheet, a projected Cash Flow Statement should be prepared.

In addition to above, the Break-Even Analysis should also be presented in the project report.

2.1.1.1.7 Economic and Social Variables

In view of the social responsibility of business, the abatement costs, ie., the costs for controlling the environmental damage should be stated in the project. Besides, the socio-economic benefits expected to accrue from the project like employment generation, import substitution, etc should also be stated in the report itself.

2.1.1.1.8 Project Implementation

Every entrepreneur should draw an implementation scheme for his project. This is done to ensure the timely completion of all activities involved in setting-up an enterprise. On one hand, delay in project implementation affects the financial viability of the project and on the other it also prompts the entrepreneur to drop the idea to set-up an enterprise. Hence, there is a need to draw up an implementation schedule for the project.

2.1.2 Setting business goals and objectives

2.1.2.1 Business Goals

Business goals are broad, long-term outcomes that a business enterprise intends to achieve. They represent the overall vision of the enterprise. Goals help the business stay focused on its long-term purpose. Some examples of goals include growing the customer base, increasing profits, improving product quality, or expanding into new markets.

The typical goals in the case of nano business include increasing customer base in the local area, improving the quality of products or services, raising monthly income, or expanding the product range. These goals help the entrepreneur to stay focused despite limited resources and competition.

2.1.2.2 Business Objectives

Objectives are the specific, measurable steps that help to achieve the broader goals. The major difference between goals and objectives is that while goals are general, objectives are clear, actionable, and time-bound. For example, if the goal of a business enterprise is to increase sales, its objective can be to "Increase monthly sales by 10% within six months." Thus, objectives help to break down big goals into manageable tasks and make it easier to track progress.

For nano businesses, objectives must be realistic as these business runs on very small capital and manpower. For example, if a home-based baker's goal is to grow sales, the objective may be to "Sell 15 additional cake orders per month within the next two months." Objectives help the entrepreneurs to organise tasks, allocate resources efficiently, and track progress.

Both goals and objectives help to give a sense of direction to the business and help the entrepreneur to understand what the business wants to achieve and how it must be achieved. They act as guiding principles that shape decisions, strategies, and day-to-day operations

2.1.2.3 Importance of Setting Goals and Objectives

Setting goals and objectives are important due to the following reasons.

- They provide sense of direction and purpose to the business.
- They help in efficient utilisation of scarce business resources.
- They act as a guide to the decision-making process and strategy development.
- They help to motivate employees by giving them clear targets.
- They allow businesses to measure their performance and take corrective actions for improving the performance

2.1.3 Business Model Canvas

Business Model Canvas refers to a strategic planning tool that is used to describe, design, and analyse a business model on a single page. It was developed by Alexander Osterwalder. Business Model Canvas breaks down a business into nine key components, which helps entrepreneurs to understand *how their business creates value, delivers value, and earns money.* It enables the owner to see their business at a single glance. It helps in decision-making and helps to identify the weaknesses or the missing elements in the business model. It is very helpful when preparing a business plan, applying for loans, or pitching to investors.

2.1.3.1 Components of the Business Model Canvas

The following are the nine components of a Business Model Canvas.

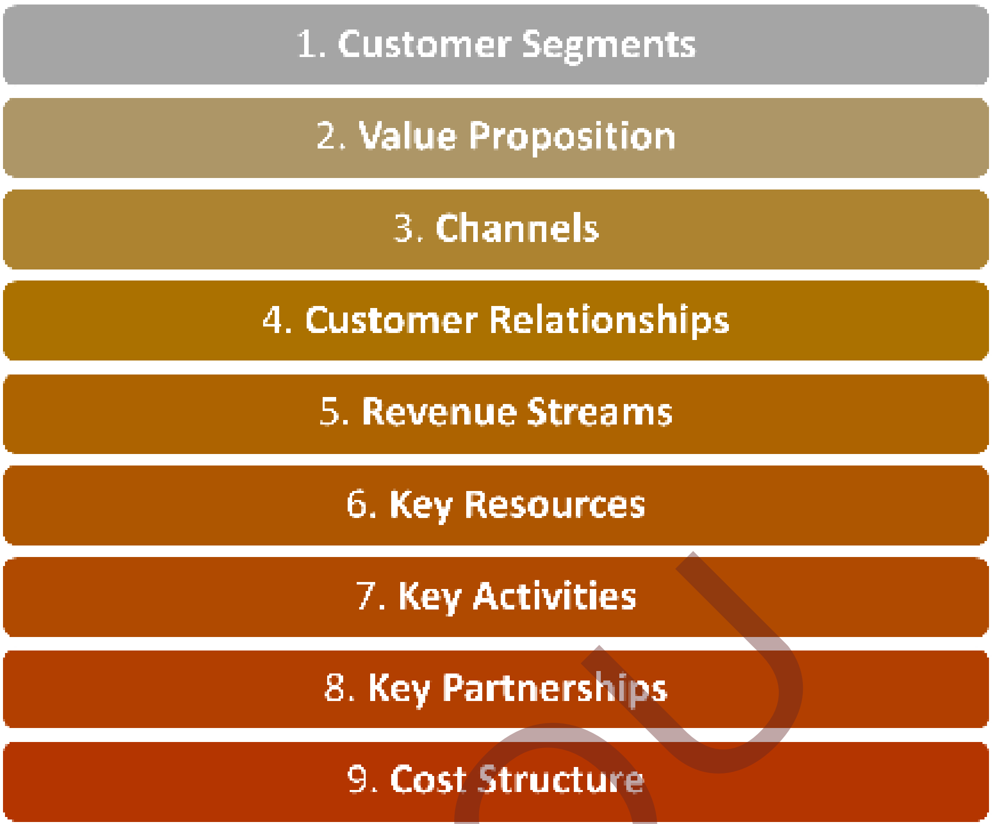

Fig No: 2.1.2 Components of a Business Model Canvas

i. Customer Segments

Customer segments refer to the specific groups of people or organisations a business intends to serve. Businesses have to focus on specific customer segments as no business can cater to everyone effectively. So clearly defining segments helps in designing products and services that meet their expectations. In the case of a nano business, the target customers are often local residents, nearby workers, or students. Since resources of a nano business are limited, choosing the right customer group allows the entrepreneur to focus efforts where demand is strongest.

ii. Value Proposition

It explains the unique benefit offered by the business that sets it apart from competitors. In other words, it refers to the reason customers will prefer the business over its competitors. A strong value proposition directly addresses customer problems and provides a clear solution. Personal attention, quick service, affordability, or homemade quality can be considered as some if the value propositions for a nano business.

iii. Channels

It denotes how a company communicates with and reaches its customer segments as to deliver its value proposition. In other words, it refers to the pathway (or channel) that could be best suited for the company to deliver its product to the customers. These channels could be physical channels, virtual channels, such as an e-commerce website, or a mix of both physical and virtual channels

Nano Businesses could use simple and low-cost channels such as direct sales from a stall, WhatsApp for orders, or through social media platforms like Facebook, Instagram and so on. These channels help reach customers affordably while maintaining direct interaction.

iv. Customer Relationships

This component describes the type of relationship a company wishes to establish with its customer segments. It focuses on how the business will interact with its customers before, during, and after the sale. Good customer relationships are essential to ensure customer loyalty and long-term engagement. Maintaining strong relationships also helps to reduce marketing costs and encourages repeat business.

Nano businesses must try to maintain friendly behaviour, establish personal connections, and ensure quick responses to the queries and grievances of the customers to build a long-term relationship with them. For example, a tea vendor should give importance to preference of the regular customers and should establish good relations with them. This helps to regain the regular customers, strengthens trust, and ensures steady income.

v. Revenue Streams

These components denote how or the various streams through such as sales, service charges, subscriptions, or commissions, through which a business earns money from its customers. Understanding revenue streams helps the business to assess its profitability and sustainability.

In the case of nano businesses, revenue usually comes from direct sales. For example, in a tailoring unit, the revenue stream is stitching fees. For a tea stall, the revenue stream is daily tea sales. Some nano businesses may also add small extra revenue streams in addition to their main revenue streams, like selling accessories or offering paid delivery.

vi. Key Resources

This component pertains to the most important assets, which are essential for the business to work efficiently. The assets may be the office, human resources, financial resources, transportation, electricity etc. These resources must be mapped to the key activities of the business. Identifying key resources ensures that the business operates smoothly and meets customer expectations.

A nano business usually has minimal key resources. For example, cooking tools for a food seller, or basic repair equipment for a mechanic. Using these limited resources efficiently is critical for low-cost operations.

vii. Key Activities

This component refers to the main actions the business must perform to create and deliver its value proposition. The key activities of a business include production, marketing, customer service, and inventory management. Efficient execution of these activities is vital for ensuring customer satisfaction. In the case of a nano business, the owner often has to handle all activities by himself, such as making products, dealing with suppliers, and taking orders. Managing these tasks well helps maximise productivity despite limited manpower.

viii. Key Partnerships

It refers to the individuals, suppliers or other organisations that provide support to the business activities. These partnerships help to reduce costs, minimise risks, and access resources that the business cannot afford on its own. Strong partnerships help to improve efficiency and reliability. Suppliers, delivery services, family helpers, or digital payment platforms are the key partners for nano businesses. For example, the success of a home tiffin service depends on reliable ingredient suppliers and delivery partners to maintain consistency.

ix. Cost Structure

It outlines all major expenses and costs associated with running a business. Understanding the various costs helps in setting prices and minimising unnecessary spending. It also helps to determine whether the business model is cost-effective and sustainable. In nano businesses, the main costs include raw materials, rent for small spaces, electricity, packaging, and transportation. As these businesses operate using small budgets, it is essential to control these costs in order to maintain profit and avoid financial strain.

2.1.3.2 Lean Canvas

While the Business Model Canvas provides a comprehensive overview of how a business creates, delivers, and captures value, it may require relatively more clarity about operations, partnerships, and resources. For nano businesses and early-stage ventures, where uncertainty is high and resources are limited, a simpler and more flexible planning tool is often required. In this context, the Lean Canvas is widely used.

The Lean Canvas is a one-page strategic planning tool developed as a modification of the Business Model Canvas. It focuses on identifying customer problems, testing solutions, and reducing risk through experimentation. The Lean Canvas supports minimum documentation, making it particularly suitable for nano enterprises that cannot afford lengthy business plans or detailed operational analysis at the initial stage.

Unlike the Business Model Canvas, which emphasises key resources, key activities, and partnerships, the Lean Canvas places greater importance on problem–solution fit and customer validation. It replaces certain operational components with elements that help entrepreneurs test assumptions and learn quickly from the market.

Components of the Lean Canvas

The Lean Canvas also consists of nine components, but with a different emphasis:

i. **Problem** – Identifies the main problems faced by the target customers. For nano businesses, clearly identifying local or immediate customer problems helps avoid unnecessary investment.

ii. **Customer Segments** – Defines the group of customers experiencing the problem, often focusing on early adopters.

iii. **Unique Value Proposition** – Explains why customers should choose the product or service over alternatives, in simple and clear terms.

iv. **Solution** – Describes the basic product or service designed to solve the identified problem.

v. **Channels** – Shows how the business will reach customers using low-cost and accessible methods.

vi. **Revenue Streams** – Explains how the business will earn income.

vii. **Cost Structure** – Identifies the major costs involved in running the business.

viii. **Key Metrics** – Specifies simple indicators to measure business performance, such as the number of customers or daily sales.

ix. **Unfair Advantage** – Highlights strengths that competitors cannot easily copy, such as personal skills, local reputation, or unique knowledge.

For nano businesses, the Lean Canvas is especially useful during the idea stage and early operations. It allows entrepreneurs to start with a Minimum Viable Product (MVP), test customer response, and refine the business through iterative planning and customer validation. As the business stabilises and grows, entrepreneurs may later adopt the Business Model Canvas for more structured planning.

2.1.4 Business Planning Processes

Business planning involves creating a roadmap for a business organisation to achieve its long-term objectives. It is the foundation of every successful business and provides a framework for decision-making, resource allocation, and measuring progress towards goals. It consists of the systematic steps followed by an entrepreneur to define business goals, develop strategies, allocate resources, and outline actions needed to achieve those goals. Business planning is important because it provides clarity of direction, helps in effective decision-making, ensures efficient use of resources, reduces uncertainties, and improves the chances of business success. A well-prepared business plan also aids in attracting investors, securing loans, and guiding day-to-day operations, making it a vital tool for entrepreneurial growth and sustainability.

2.1.4.1 Steps in a Business Planning Process

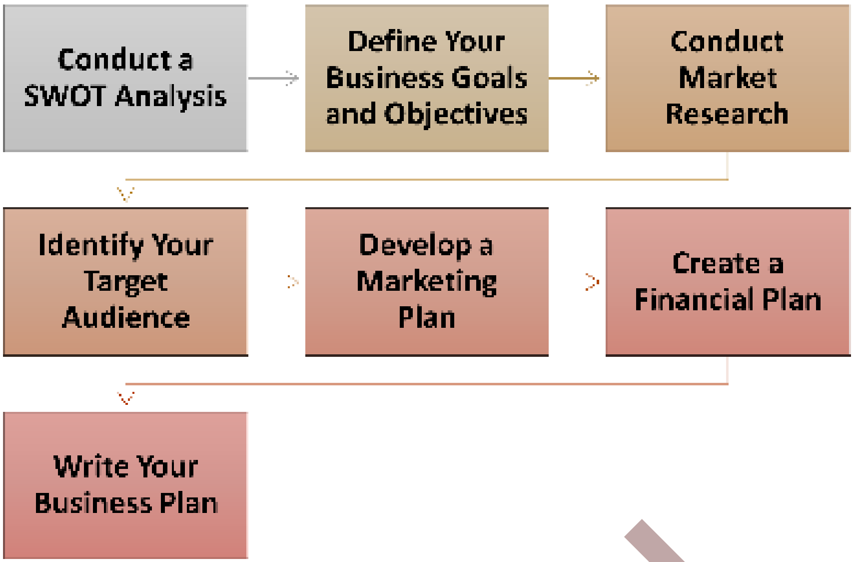

Fig No: 2.1.3 Steps in a Business Planning Process

i. Conduct a SWOT Analysis

Conducting a SWOT analysis marks the first step in understanding in the business planning process. SWOT refers to Strengths, Weaknesses, Opportunities and Threats. While Strengths and weaknesses are factors internal to the business, on which some level of control can be exercised by the business, whereas Opportunities and threats are factors external to the business over which it has no control. Strengths of the business include highly experienced human resources, financial resources, or unique products. Weaknesses of the business may be lack of funds, limited staff, or skill gaps existing in the business. Opportunities can be new customer segments, online markets, local partnerships, or emerging trends. Threats can arise from larger competitors, price fluctuations, or changes in consumer demand. Thus, conducting a SWOT analysis helps businesses to get a realistic picture of how well the business can compete and what strategic areas need improvement. It is the foundation for all the planning decisions because it highlights what the business should focus on, avoid, and prepare for.

SWOT analysis is very easy to apply. Since the operations are small, owners usually know their strengths and weaknesses personally. For example, the strength of a nano enterprise may be good skill set of the nano entrepreneur and his weakness may be limited working capital. An example of opportunities for a nano business might be the growing demand for the products from online platforms, while threats may include nearby competitors or rising costs. Thus, a simple, handwritten SWOT chart can help a nano business owner make quick and informed decisions without costly research.

ii. Define Your Business Goals and Objectives

This is another crucial stage in the business planning process. Goal and Objective-setting are vital for guiding the business in the proper direction While goals are broad, long-term outcomes that a business enterprise intends to achieve in the long term, objectives outlines what the business aims to achieve within a specific period of time. These goals must be SMART Specific, Measurable, Achievable, Relevant, and Time-bound. For instance, the goal of a business may be to increase monthly revenue and its objective may be to achieve a 15% increase in monthly revenue within the next six months by improving sales outreach. Likewise, a business can have other goals like optimizing pricing, and expanding marketing campaigns.

Nano businesses can set simple, practical objectives such as "gaining 10 new customers this month," or "selling 20% more through social media," or "reduce material waste."and so on. Since the owner plays multiple roles, having small, achievable goals keeps operations organized and Objective-setting also helps nano businesses to prioritize its limited resources and work more efficiently.

iii. Conduct Market Research

The next step involves conducting a market research. It involves collecting regarding the customers, competitors, and industry conditions. It helps to gain a clear understanding regarding what the customers want, how much they are willing to pay, and what factors influence their buying decisions. Research can be conducted using various methods like surveys, interviews, online searches, observation, or reviewing industry reports. Effective market research helps to identify market gaps, assess demand, and refine pricing strategies.

Market research can be done at a very low cost in a nano business by employing simple methods like talking to customers, checking the prices of competitors products, analyzing customer feedback, or observing local market trends. Even checking social media trends can guide product decisions.

iv. Identify Your Target Audience

The next step is to identifying the target audience for the business. Itmeans understanding exactly who your ideal customers are. For this market segmentation can be done based on demographic factors (age, gender, income), geographic factors, psychographic factors (lifestyle, interests), and behavioural traits (purchasing habits, loyalty). This helps to create customer profiles which helps businesses to tailor their messages, pricing, and product features to the needs of their audience. Thus, a clear understanding of the target audience ensures efficient marketing and higher conversion rates.

Nano businesses serve a very small section of the market usually the local markets. For example, a home baking business may target young families or students. Identifying the target audience helps nano business owners to personalize their products and services, maintain close customer relationships.

v. Develop a Marketing Plan

A marketing plan outlines how the business will attract and retain customers. It includes marketing goals, promotional strategies, communication channels, branding, pricing tactics, and advertising methods that will be adopted by the business. Both traditional mediums like print media and digital mediums like such as social media, email marketing, posters, influencer partnerships, and website optimization can be used for marketing. A strong marketing plan ensures that promotional activities are consistent, well-planned, and aligned with business objectives. It also helps allocate resources to the most effective marketing methods.

Often low-budget marketing strategies like word-of-mouth, local advertising, social media posts, and customer referrals can be used by Nano businesses.

vi. Create a Financial Plan

A financial plan is essential for evaluating the economic feasibility and profitability of a business. It includes various steps like budgeting, forecasting sales, estimating expenses, calculating profit margins, and planning cash flow. This step is crucial in identifying how much capital is needed, what costs must be controlled, and how revenue can be increased. Good financial planning reduces financial risk and supports long-term sustainability.

A financial plan is crucial for nano businesses as they operate with very limited finances. Tracking daily expenses, estimating monthly income, and planning for small investments help to avoid cash-flow problems of nano businesses. Financial planning helps nano businesses avoid unnecessary expenses and manage seasonal fluctuations.

vii. Write Your Business Plan

This is the final stage in the business planning process. It involves preparing a complete business plan. A business plan consists of an executive summary, a business description, market analysis, product or service information, marketing strategies, operational plan, and financial projections. It serves as a blueprint for running the business. It can also be used to communicate with banks, investors, or partners. A well-written business plan shows preparedness, professionalism, and strategic understanding.

A nano business does not need a lengthy or complicated business plan. However, it can prepare a simple business plan that outlines goals, target customers, pricing, marketing activities, and basic financial estimates. This helps the owner stay organised and focused. It also helps in increasing the chance of approval if the nano business is applying for microfinance or government schemes.

2.1.5 Minimum Viable Product (MVP), Lean Thinking, and Customer Validation

In the context of nano businesses, concepts such as the Minimum Viable Product (MVP), lean thinking and customer validation are especially important because these enterprises operate with very limited resources, small teams, and high uncertainty. Adopting these approaches helps them minimise waste, make informed decisions, and gradually improve their offerings, ensuring that business growth is closely aligned with genuine customer needs and market demand.

1. Minimum Viable Product (MVP)

The Minimum Viable Product (MVP) refers to the simplest form of a product or service that can be offered to customers to test the market. Instead of launching a fully developed product, a nano entrepreneur may start with a basic version, such as a small batch of handmade products, a pilot service offering, or a simple online page describing the service. This allows the entrepreneur to assess demand, pricing, and customer response without incurring high production or development costs.

2. Lean Thinking

Lean Thinking can be understood as a practical and flexible way of managing businesses by using limited resources carefully and avoiding unnecessary effort, time, and cost. For nano businesses, it means doing only what truly matters, keeping processes simple, and delivering value efficiently without waste. This approach can be applied in any type of small business, regardless of sector or context.

At its core, Lean Thinking is customer-focused. It involves paying close attention to customer needs, avoiding activities that do not add value, and making the best possible use of the entrepreneur's skills, time, and available resources. Continuous improvement is central, with small, regular changes made based on experience and customer feedback.

While Lean Thinking includes simple tools and methods to improve daily operations, for nano businesses, it represents more than operational efficiency. It encourages a change in mindset, shaping how the entrepreneur thinks, makes decisions, and runs the business. It influences values, habits, and culture, promoting adaptability, learning, and long-term sustainability even at a very small scale.

3. Customer validation

Customer validation is a process of confirming that an idea, product, or service is truly useful to customers before investing significant time or money. It involves directly engaging with potential customers through simple and informal methods such as conversations, observations, trial sales, or basic feedback requests. The main purpose is to ensure that the offering addresses a real customer need or problem and delivers clear value. By validating their ideas early, nano entrepreneurs can reduce risk, avoid unnecessary effort, and make improvements based on actual customer responses rather than assumptions

Recap

◊ A Business Plan is a document outlining the major objectives of a business and the strategies that will be adopted by the business to achieve them. It typically includes various aspects such as mission statement, market analysis, products or services offered, target demographics, marketing strategies, operational plan, and financial projections of the business.

- ◊ A well-crafted business plan is imperative for attracting investors and securing funding.
- ◊ Business goals are broad, long-term outcomes that a business enterprise intends to achieve. They represent the overall vision of the enterprise. Goals help the business stay focused on its long-term purpose.
- ◊ Objectives are the specific, measurable steps that help to achieve the broader goals. The major difference between goals and objectives is that while goals are general, objectives are clear, actionable, and time-bound.
- ◊ Business Model Canvas refers to a strategic planning tool that is used to describe, design, and analyze a business model on a single page. Business Model Canvas breaks down a business into nine key components which helps the entrepreneurs to understand how their business creates value, delivers value, and earns money.
- ◊ Business planning involves creating a roadmap for a business organization to achieve its long-term objectives. It consists of the systematic steps followed by an entrepreneur follows to define business goals, develop strategies, allocate resources, and outline actions needed to achieve those goals.

Objective Questions

1. What describes broad, long-term outcomes of a business?
2. What defines specific and measurable steps toward achieving goals?
3. What strategic tool displays a business model on a single page?
4. What planning tool includes nine essential business components?
5. What provides a roadmap for achieving long-term business success?
6. Which BMC component describes the groups of customers a business aims to serve?
7. Which element of the BMC explains how a business communicates with and reaches customers?
8. Which part of the BMC outlines the unique value a business offers to customers?

9. Which BMC component identifies the essential tasks a business must perform?
10. Which section of the BMC specifies the partners and alliances a business relies on?

Answers

1. Goals
2. Objectives
3. Business Model Canvas
4. Business Model Canvas
5. Business Plan
6. Customer Segments
7. Channels
8. Value Proposition
9. Key Activities
10. Key Partnerships

Self Assessment Questions

1. What do you mean by Business Plan?
2. Explain the concept of Business Model Canvas and its components.
3. Explain the steps in Business Planning Process
4. What are the key differences between business goals and business objectives?
5. What are the nine building blocks of the Business Model Canvas?
6. What is lean canvas? Explain its components.
7. How to conduct SWOT analysis in the Business Planning Process?
8. What are the advantages of using the Business Model Canvas compared to traditional business plans?
9. Explain the Minimum Viable Product (MVP), lean thinking and customer validation in the context of a nano business.

Assignments

1. How does having a clearly written business plan improve an entrepreneur's ability to make informed strategic decisions?
2. Why is a well-crafted business plan considered crucial for gaining investor confidence and securing funding?
3. How can selecting the right channels impact customer reach and overall business performance?
4. How can regularly revisiting and adjusting the nine components of the BMC help a business stay competitive in a changing market?
5. Critically analyse the importance of setting business goals and objectives in entrepreneurial ventures, with reference to a nano business.
6. How can the Business Model Canvas be applied to design and refine a nano business?
7. In what ways does a structured business planning process reduce uncertainty and guide resource allocation for nano enterprises?

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Unit 2 Choosing the Right Business Structure

Learning Outcomes

After completing this unit the learner will be able to:

- ◊ Familiarise the different forms of business ownership
- ◊ Gain insight into the decision making factors in choosing a structure
- ◊ Explain the advantages and disadvantages of each business structure in relation to operational and legal aspects.
- ◊ Make them aware of business ownership models to determine suitability for various entrepreneurial contexts.

Prerequisite

Aisha, decided to start a small home-based bakery called SweetCrumbs selling cupcakes and cookies. Before starting her business, she needed to decide the right form of business ownership. At first she thought of starting the business as a sole proprietorship as it was easy to start, required no complex registration, and gave her complete control perfect for a nano business. However she realized that in sole proprietorship, she alone would have to bear all risks, and her personal assets might be affected if something went wrong. So her friend Meera offered to join her to consider forming a partnership as this form of ownership offered various benefits like shared responsibilities, combined skills, and pooled capital. However, the main advantage was that partners will have to face unlimited liability. As they explored more, Aisha learned about Limited Liability Partnership (LLP). She liked it due to the feature of limited liability which meant that her personal savings would stay safe in case of business losses or debt. But the downside was higher registration costs and more compliance compared to a proprietorship. Finally, Aisha came across the One Person Company (OPC) structure. It allowed her to run the business alone and still enjoy limited liability and a separate legal identity. However, she noticed that it required more paperwork and had stricter rules than a simple proprietorship. To decide among these options, Aisha listed key decision-making factors like required capital, level of risk, control, legal formalities. Since she wanted to expand her bakery into online sales later while still protecting her personal assets, she chose the OPC structure. This story highlights the different form of business ownership like Sole proprietorship, Partnership, Limited Liability Partnership and One Person Company. This unit discusses the meaning, features, advantages and disadvantages of each of these structures and the decision making factors in choosing a structure.

Keywords

Sole proprietorship, Partnership, Limited Liability Partnership, One Person Company

Discussion

Before starting any business every entrepreneur has to select the legal form of enterprise within which the entrepreneur has to operate his/her business enterprise. Selection of the legal form of an enterprise is important on account of various reasons. For example, if an entrepreneur tends to raise a loan from a bank or a private money lender or any other financial institution, the first aspect they would be interested before providing the loan is the form of business ownership or the legal form of the business enterprise. Hence, an entrepreneur must first decide the legal form for his/her new enterprise. The decision to choose a particular business organisation will be determined by various factors like personal capacity to take decisions, bear risk – bearing capacity, economic soundness, etc.

Thus, selecting an appropriate organisational form is a foundational decision for any entrepreneur. The various forms of business ownership include Sole proprietorship, Partnership, Joint Hindu family business, Co-operative society, Joint stock company, Limited Liability Partnership (LLP), and One Person Company (OPC). Each business organisation differs in ownership, liability, and managerial structure. Among these, the various forms of business ownership which are suitable to the nano business are Sole proprietorship, Partnership, Limited Liability Partnership (LLP), and One Person Company (OPC). They are discussed below:

2.2.1 Types of Business Ownership

2.2.1.1 Sole Proprietorship

It is a type of business ownership where a business is owned, controlled, and managed by a single individual. It is the simplest and oldest form of business organisation. All the business decisions are independently taken by the owner or sole proprietor. He enjoys all the profits and bears the entire risk of losses associated with the business. This form of business organisation is perfect for nano businesses as it involves very less legal formalities.

Following are the features of Sole Proprietorship

A. Features of Sole Proprietorship

ii. Single Ownership/ One Man Ownership.

In the case a single individual owns the sole proprietorship firm. In other words, a sole proprietor does not have any other associates or partners. All the capital to be invested in the business is supplied by the single individual. This is arranged by the individual either from his own savings or borrowing from other external sources.

iii. Individual Risk Bearing

In sole proprietorship firm, all the risks associated with the business is borne by a single individual (i.e sole proprietor). He/she is the sole beneficiary of all the reward or profits earned by the business. Likewise, in the case of losses he/she alone has to bear them.

iv. No Separate Legal Entity

A sole proprietorship does not have a legal identity separate from that of its owner. The business and the owner exist together and the law does not consider any distinction between the owner and the business enterprise.

v. No Distinction between ownership and management

A sole proprietorship business is owned and managed by the sole proprietor himself. There is no distinction between ownership and management. The sole proprietor maintains strong supervision and full control over the functioning of the business since he/she personally oversees all operations

vi. Suitable for Small Scale Operations

This is the most suitable form of business for small scale business enterprises especially nano businesses as it requires small capital outlay, small scale of operations etc.. It is a suitable form which offers opportunity of self-employment.

vii. Formation and closure

The formation and closure of this form of business is very simple as there are no legal formalities required to start and close sole proprietorship firm and there is no separate law governing this form of business. However, a licences are required in certain cases.

viii. Unlimited Liability.

This is one of the major demerits of this form of business. A sole proprietor is personally liable for all the debts of the business. This means that in the case of losses, the proprietor may even have to sell his personal property to pay off the liabilities if the assets of the business are not sufficient to settle the business liabilities.

ix. Lack of business continuity

The sole proprietorship business is solely dependent on the sole proprietor. Hence, the death, insolvency, incapacity, ailment etc. of the sole proprietor will affect the continuity of the business.

B. Merits/Advantages of Sole Proprietorship

The merits of sole proprietorship are as follows:

i. Easy to Form and Dissolve.

This is one greatest advantages of this form of organisation. A sole proprietorship can be very easily established. No elaborate legal formalities are necessary for its formation as compared to other forms of business organisation. It is not governed by any specific law. A sole proprietor can easily start and can easily close the business whenever he desires without any legal formality paying back its debts. This makes it one of the most flexible type of business enterprise.

ii. Prompt Decision Making

In a sole proprietorship firm, all the decisions are taken by the proprietor himself. He/ She does not have to consult anyone for opinion before taking any decisions. Thus, immediate actions can be taken due to quick decision making. As, there are no delays in decision making, the business can quickly adapt itself to the changing environment.

iii. Sole Beneficiary of Profits

All the profits earned by the sole proprietorship firm belongs only to the sole proprietor himself. This in turn motivates the proprietor to work hard to get more profits.

iv. Independent Control

In a sole proprietorship, the total control of the business lies in the hands of the proprietor only. He enjoys complete freedom of action and enjoys full authority to take decisions and run the business in his own way.

v. Personal Touch

As all the work of the business is handled by the proprietor alone in sole proprietorship firm, he/she can maintain direct contact with the customers. If there any employees they work under the direct control of the sole proprietor. So, it gives scope for the proprietor to maintain harmonious relations with the employees and with the customers.

vi. Secrecy

This one of the unique benefits of sole proprietorship. As all the business are handled by the sole proprietor, he/she does not have to share the secrets of the business with anyone and there is no legal compulsion for a sole proprietor to publish his/her accounts. So there is highest degree of secrecy in this form of organisation.

C. Disadvantages/Demerits of Sole Proprietorship Firm

Sole proprietorship firm suffers from certain disadvantages. They are as follows:

i. Limited Financial Resources

The scope of financial resources is limited in a sole proprietorship. In sole proprietorship firm, finance is supplied by the proprietor himself from his savings or he has to borrow from external sources like friends or relatives. The credit raising capacity of a sole proprietor is limited. This reduces the scope for the future expansion activities of the business .

ii. Unlimited Liability

A sole proprietor is personally liable for all the debts of the business. In case of heavy losses A sole proprietor will not only lose all his business assets, but will also have to sell his personal property to settle the debts of the business in case of shortage of funds. This is the greatest demerit of this form of business.

iii. Limited Managerial Skill

A single individual is responsible for managing all aspects of the business in a sole proprietorship. However, this becomes a limitation because no one person can be proficient in every functional area of business such as production, finance, and marketing. As a result, the decisions made may be imbalanced, since the proprietor may excel in one area, like sales, but not in others. Moreover, because sole proprietors typically operate with limited resources, they often cannot afford to hire skilled or expert employees, further restricting the overall efficiency and effectiveness of the business.

iv. Limited Scope for Expansion

Due to the problem of limited financial resources, the sole proprietorship business cannot be expanded to a very large size. It is a suitable form for small scale operations only.

v. Limited Life of a Business

The survival and continuity of sole proprietorship firm is entirely dependant on one person only. If the proprietor falls ill, dies, or becomes insolvent then the business may come to an end.

2.2.1.2 Partnership

Partnership can be considered as a popular form of business for the small and medium scale businesses. This form of business overcomes the problem of sole proprietorship due to the limitations of the sole proprietorship like limited financial resources, limited managerial skills, problem of individual sharing of risk, limited scope of expansion so on. With the expansion of business and enlargement of the scale of operations it became necessary for a group of persons to join hands together and supply the necessary capital and skills. A partnership is a form of business in which two or more individuals agree to share ownership, responsibilities, profits, and losses while jointly managing the enterprise. Thus, partnership form of business has gained significance due to its scope for arranging more capital, offering better skill, control and management and to sharing the risks.

A. Definition of Partnership

In India, Partnerships are governed by the Indian Partnership Act, 1932. According to Section 4 of the Indian Partnership Act, 1932, Partnership is defined as "the relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all.

According to J. L. Hanson, "a partnership is a form of business organisation in which two or more persons up to a maximum of twenty join together to undertake some form of business activity".

Thus, Persons who enter into partnership are collectively referred to as "firm" or " partnership firm" and are individually referred to as "partners."

B. Features of Partnership

The partnership organisation has some basic or fundamental features which have been discussed below, with special reference to the position of partnership in India.

i. Number of persons

At least two persons must be there to form a partnership organisation. The maximum number of members to form a partnership is 10 persons if it is a banking business and 20 if it is a non –banking business.

ii. Contractual relationship

Partnership is the result of contractual relationship between two or more persons. It is a fundamental feature of the partnership organisation. There must be an agreement between persons who wish to form a partnership. This agreement may be oral or written. The document containing agreement is referred to as " partnership deed". It is a written agreement that specifies the name and address of the firm, details of all partners, the nature of business, capital contributions, profit- and loss-sharing ratios, duties and powers of partners, rules for admission or retirement, interest on capital or drawings, dispute-resolution methods, duration of the firm, and all other terms governing the partnership.

iii. Lawful Business

Partnership is formed to carry out any lawful business activity. In other words, the partnership should be formed to carry out only those business activities which are legal. Thus, Robbery or smuggling carried out by two or more persons cannot be considered as partnership.

iv. Unlimited Liability

In a partnership firm, all the partners have unlimited liability. This means that, each partner is both individually and jointly responsible for the firm's debts. If the business suffers losses and its assets are not enough to repay what is owed to the creditors, then the creditors can also have claim over the personal property of the partners also.

v. Principal-Agent Relationship

A partnership firm can be managed either by all partners jointly or by any one partner acting on behalf of the others. Each partner is entitled to represent the firm and other partners while conducting the firm's business. This makes every partner an agent of the firm as well as of each fellow partner.

One partner are binding on other partners. Each partner is entitled to take part in the management and enter into contract with outsiders. The contract signed by any one partner is binding on other partners. Partnership business can be carried on by all the partners or by any of them acting on behalf of the others.

vi. Non-Transferability of Shares

In a partnership firm, no partner can transfer his/her share in partnership to any outside person. He can transfer the shares only with the consent of other partners.

vii. Registration

It is not compulsory for a partnership firm to get itself registered according to Partnership Act 1932. However, the partners prefer to get the partnership firm registered as there are certain advantages of registration.

C. Merits/Advantages of Partnership

The merits of Partnership are as follows:

i. Easy Formation

It is very easy to form a partnership firm. There are only minimal legal formalities associated with the formation of partnership. Though the registration of partnership is desirable it is not mandatory.

ii. More Financial Resources

One of the major limitations of sole proprietorship was limited financial resources. However, Partnership form of organisation helps to overcome this problem, to a great extent, there are multiple number of persons or partners to contribute provide funds to the enterprise. This, increases the borrowing capacity of the firm. In addition to this it is also easy to arrange loans from the lending institutions as they also perceive less risk in granting credit to a partnership than to a proprietorship. It is because the risk of loss is spread over a number of partners rather than only one.

iii. Division of Work

The partners can divide the work according to their skill and knowledge in a partnership. For example, if there are three partners in a firm, one partner can supervise or focus on production activities, another partner can look after the financial aspects of the business and the third partner can specialise in marketing. This division of work helps to achieve specialisation and efficiency in management and other activities of the firm.

iv. Diffusion of Risk

Only one person has to bear the risk in the case of a sole proprietorship firm whereas in a partnership firm all the partners share the risk and are not shouldered on one person. The risk is shared in the same ratio as they share the profit. This sharing of risk motivates partners to undertake riskier projects and earn more profit.

v. Secrecy

It is not mandatory for the partnership firm to publish its accounts. Therefore the affairs of the partnership firm remain secret.

vi. Less Incidence of Tax

The burden of tax on a firm or its partners is comparatively lower in the case of a partnership firm as compared to a joint stock company.

D. Demerits/Disadvantages of Partnership

A partnership firm suffers from following demerits or drawbacks:

i. Unlimited Liability

The liability of all the partners in a partnership firm is unlimited. Thus, in the case of business losses, the creditors can also have claim over the personal property of the partners if the business assets are not sufficient to settle the claims and get their accounts settled. This applies only to general partnership. However, in the case of a limited liability partnership (LLP), partners generally have limited liability, and their personal assets are protected except in cases of fraud or misconduct.

ii. Non-Transferability of Share

The partners are not permitted to transfer their share to any outside person without the consent of other partners. This may be difficult and complicated.

iii. Conflicts

As the partners in partnership firm may come from different backgrounds, different families, they may have differences of opinion. If partners adopt a rigid attitude then it may lead to conflict among the partners.

iv. Uncertainty

The death, insolvency or incapacity of any one partner affect the continuity of the partnership business. Even a partner can demand dissolution of the firm any time he desires so.

v. Risk of Mutual Agency

In partnership, due to the principle of mutual agency, the contract signed by any one partner is binding on all other partners. So, if a dishonest partner enters into contract for personal benefit, then all the partners will have to suffer the loss.

2.2.1.3 Limited Liability Company

A. Meaning

A Limited Liability Company (LLC) is a form of business organization that combines the advantages of a partnership and a company. It provides limited liability protection to its owners while allowing flexibility in management and operations. The owners, known as members, are legally separate from the business, and their personal assets are protected from business liabilities.

The Limited Liability Company (LLC) as a distinct legal form does not exist in India; instead, similar limited-liability structures such as Limited Liability Partnerships (LLPs), Private Limited Companies, and One Person Companies are recognized under Indian law.

B. Features of a Limited Liability Company

i. Limited liability

The liability of the members is limited to the amount of capital they have invested in the business. Their personal assets are not used to settle business debts or legal claims.

ii. Separate legal entity

An LLC has a legal identity distinct from its owners. It can own property, enter into contracts, and take legal action in its own name.

iii. Flexible management

An LLC can be managed directly by its members or by appointed managers. This flexibility allows businesses to choose a management structure that suits their size and nature.

iv. Operational flexibility

The legal and procedural requirements of an LLC are simpler compared to corporations. This makes decision-making faster and reduces administrative burden.

v. Continuity of existence

The existence of an LLC is not affected by changes in ownership or membership. This ensures stability and continuity of business operations.

C. Advantages of a Limited Liability Company

i. Limited Liability

A primary characteristic of an LLC is the limited liability protection offered to its members. The personal assets of the owners are generally safeguarded against the debts and legal obligations of the business, and members are liable only to the extent of their capital contribution.

ii. Pass-Through Taxation

LLCs are typically taxed as pass-through entities, meaning the business itself does not pay income tax. Instead, profits and losses are transferred directly to the members and reported in their individual tax returns, which can simplify taxation and reduce the overall tax burden.

iii. Reduced Legal Formalities

Compared to corporations, LLCs are subject to fewer legal and administrative requirements. They are not required to conduct regular board meetings or maintain extensive statutory records, making compliance easier and less time-consuming.

iv. Flexible Ownership Structure

An LLC allows flexibility in ownership, as members may include individuals, business entities, or, in some cases, foreign investors, subject to applicable laws. This adaptability supports a wide range of ownership and investment arrangements.

v. Ease of Ownership Transfer

Ownership interests in an LLC can generally be transferred more easily than corporate shares, provided the operating agreement permits such transfers. This facilitates the entry of new members or the exit of existing ones.

D. Disadvantages of a Limited Liability Company

i. Higher formation costs

Setting up an LLC involves higher registration and legal costs compared to sole proprietorships. Small entrepreneurs may find this financially challenging.

ii. Compliance requirements

Although simpler than corporations, LLCs still require regular filings and legal compliance. Failure to comply can lead to penalties.

iii. Limited access to capital

LLCs cannot raise funds from the public through share issues. This limits their ability to attract large-scale investment.

iv. Jurisdictional differences

Laws governing LLCs vary across countries and regions. This can create complications for businesses operating internationally.

2.2.1.4 Limited Liability Partnership

Limited Liability Partnership (LLP) is a form of business structure which combines the characters of both traditional partnership firms and limited liability corporations. As the name suggests, its members or partners has limited liability, has a separate legal entity, and perpetual succession. In India, LLPs are formed under the Limited Liability Partnership Act, 2008. It is the most suitable form of business organisation for small and medium enterprises.

In a general partnership, partners are personally and fully responsible for all the firm's debts and legal obligations. It means that their personal assets may be used to satisfy outstanding liabilities. Thus, unlimited liability of the partners was one of the major demerits of general partnership. A Limited Liability Partnership (LLP) eliminates this risk by limiting each partner's liability to the extent of their capital contribution. This means that if the business incurs losses or cannot repay its debts, creditors cannot claim the partners' personal property. An LLP also enjoys a separate legal identity, operating as an entity distinct from the individual partners.

A. Features of an LLP

Following are the features of an LLP

i. Separate Legal Entity

An LLP is recognised as a separate entity that is distinct from its partners. So an LLP can own assets, enter into contracts, take loans, sue, and be sued under its own name. So the partners are not personally tied to the firm's ownership and liability structure.

ii. Limited Liability of Partners

This is the major merit of LLP. The partners of an LLP has only limited liability and it is restricted to the extent their capital contribution. So the personal assets of the partners cannot be used to settle the LLP's debts.

iii. Perpetual Succession

Similar to a company an LLP enjoys perpetual succession, it means that an LLP cannot be dissolved on account of the death, resignation or retirement of any of the partners. The life of an LLP continues until it is formally wound up according to law. This ensures business continuity and makes LLPs more stable than traditional partnerships.

iv. Flexible Management Structure

Internal business operations are governed by the LLP Agreement. So the partners have the autonomy to decide profit-sharing ratios, roles, responsibilities, rights, and duties.

v. No Minimum Capital Requirement

An LLP can be formed without the requirement of a minimum contribution. Partners may contribute in any form cash, property, intellectual property, or professional expertise. This flexibility makes LLPs accessible to startups and small enterprises.

vi. Number of Members/ Partners

An LLP must have at least 2 partners out of which designated partners, at least one has to be a resident of India. However, there is no specified number when it comes to the maximum number of partners in an LLP.

B. Merits/ Advantages of an LLP

vii. Limited Liability

This is the greatest merit of an LLP. The partners of an LLP has only limited liability and it is restricted to the extent their capital contribution. This means that the personal assets of the partners cannot be used to settle the LLP's debts.

viii. Separate Legal Entity Status

An LLP has a separate legal entity that is independent of its partners. This enables an LLP to own property, enter into contracts, and sue or be sued in its own name. In addition to this, the existence of the LLP is not affected by changes in partners. This ensures stability and continuity of operations.

iii. Flexible

LLPs enjoy easier compliance rules compared to private limited companies. There are no mandatory annual general meetings, fewer statutory registers, and simpler reporting procedures. This reduces costs and administrative effort.

iv. Professional and Credible Structure

LLPs are registered with the government, maintains transparent accounts, and follows standard legal procedures. This helps in offering greater credibility compared to a sole proprietorship or partnership. This helps in gaining trust from banks, clients, and suppliers.

v. Ease of Formation and Operation

It is generally simple to form an LLP than a private limited company. This makes it appealing to start-ups and small enterprises. The incorporation of an LLP is also simple as it involves lower costs, minimal legal formalities. In addition to this, no minimum paid-up capital is required. LLPs also face fewer statutory obligations, as they are not required to hold mandatory board meetings or maintain extensive records. Their annual compliance requirements are also comparatively lighter, reducing the administrative burden on partners. This overall ease of incorporation and compliance makes the LLP structure a highly practical and cost-efficient choice for professionals and emerging businesses seeking a legally sound organisational form.

vi. Continuity

LLP has continued existence irrespective of the changes in membership of the partners. The existence of an LLP is not affected by the death, retirement, or insolvency of partners.

C. Disadvantages of an LLP

i. Limited Ability to Raise Capital:

LLPs cannot issue shares. This makes it difficult for them to attract equity investors such as venture capitalists or angel investors. LLP find it difficult to raise large amounts of funds. This makes it less suitable for businesses that plan to grow quickly or expand on a large scale.

ii. High Penalties for Non-Compliance

Even though the compliance requirements of LLPs are low, the penalties for failing to meet these obligations can be quite high. Thus, even small delays in filing annual returns or financial statements may lead to heavy fines, placing a burden on small firms.

(iii) Not Ideal for Large Businesses

As they lack the share-based structure that supports large-scale expansion, they are not suitable for large scale businesses. Thus, LLPs are better suited for small and medium enterprises. Therefore, businesses aiming for significant growth often prefer private or public limited companies.

(iv) Difficulty in Transferring Ownership

Transferring ownership generally requires the consent of all partners and changes to the LLP agreement. This makes partner entry or exit more difficult compared to companies where shares can be easily transferred.

(v) Less Familiar Business Model for Traditional Traders

As the concept of LLP is less familiar, traditional business owners may prefer simpler forms like sole proprietorships or partnerships.

2.2.1.5 One Person Company

The concept of One Person Company (OPC) was introduced in the Companies Act, 2013. A One Person Company as the name suggests refers to a company established by a single person. He/She establishes the company and manages its operations. However, an OPC has all the features of a company, such as perpetual succession, limited liability and a separate legal entity. An OPC bridges the gap between a sole proprietorship and a private limited company by providing corporate status and limited liability without the need for multiple shareholders or directors. This structure is ideal for solo entrepreneurs who want the benefits of incorporation while maintaining total ownership.

A. Features of an OPC

i. Single Owner

An OPC can be formed by one individual. He is both the shareholder and the director.

ii. Separate Legal Existence

An OPC has its own legal existence distinct from that of its owner. It can own property, enter into contracts, and sue or be sued in its own name.

iii. Limited Liability

Liability of the owner is limited to the amount invested in the business. Personal assets are generally protected unless fraud or wrongdoing occurs.

iv. Nominee Requirement

The owner must appoint a nominee during incorporation. This is one essential requirement of one person company. The nominee will take over the company in case of death or incapacity oft the owner. This ensures continuity of the business.

v. Mandatory Compliance

OPCs must follow certain company compliance norms such as maintaining books of accounts, filing annual returns, and conducting audits.

B. Merits/ Advantages of a One –Person Company

i. Easy incorporation

Incorporating an OPC is quite easy as it requires only one member along with a nominee. The same person can also serve as the director. Although the minimum authorised capital must be ₹1 lakh, there is no requirement for minimum paid-up capital. This makes the formation process much easier than that of other types of companies.

ii. Separate Legal Entity

As an OPC has a separate legal existence from that of its owner, it gives protection to the single individual who has incorporated it. The liability of the member is limited to his/her shares, and he/she is not personally liable for the loss of the company. Thus, the creditors can sue the OPC and not the member or director.

iii. Easy to obtain funds

It is easy for an OPC to raise funds since OPC is a private company. The Banks and the Financial Institutions prefer to grant loans to a company rather than a proprietorship firm.

iv. Perpetual Succession

An OPC enjoys perpetual succession despite having only one member. The sole member must designate a nominee at the time of incorporation of an OPC. Thus even if the member or owner passes away, the management of the company will be taken over by the nominee. This ensures the continued existence of the business.

C. Demerits/ Disadvantages of One Person Company

i. Suited Only for Small Businesses

An OPC have only one member throughout its existence. Additional members cannot be added. This restricts the company's ability to raise further capital. Thus, it is suitable only for small business.

ii. Restrictions on Business Activities

OPCs are prohibited from engaging in Non-Banking Financial Investment activities, including investing in corporate securities. They also cannot be converted into companies with charitable objectives under Section 8 of the Companies Act, 2013.

iii. Overlap of Ownership and Management

There is no real distinction between ownership and managements since the sole member is also permitted to act as the company's director.

2.2.2 Decision-making factors in choosing a structure

The discussion of the various forms of business structure or forms of business ownership highlights that each type of business structure has its own advantages and disadvantages. Hence, an entrepreneur must select an appropriate business structure after considering the following factors:

i. **Nature of Business**

The selection of an appropriate form of business ownership depends largely on the nature of the proposed business. If the proposed businesses is one that require personal attention and specialized skills, it may be organized as sole proprietary concerns. For businesses that require pooled resources or large-scale production, the company form of ownership may be preferred. If the operations of a business are limited to a specific area or locality, proprietorship is usually the most suitable form. On the other hand, if the area of operation is extensive serving national or international markets, then the company form of business ownership is considered more appropriate.

ii. **Area of Operations**

The area of operation has also an important bearing on the selection of an appropriate business structure. If the business is confined to a locality, then sole proprietorship will be the appropriate form of ownership. Sole proprietorship is the most convenient form of business ownership for a nano entrepreneur. A company will be the most appropriate form of business ownership if the business is spread over national and international markets. A nano entrepreneur in this case can consider choosing a Limited Liability Partnership or a One person company.

iii. **Degree of Control:**

Sole proprietorship or Partnership will be the most appropriate form of ownership if direct control over business operations is required. A company will be the best form of business ownership in case direct control over business operations is not needed, will be a company.

iv. **Capital Requirements**

Selection of business ownership is also determined by the capital required in the business. Sole proprietorship or partnership will be the best form of ownership if business requires a small amount of capital. The company form of ownership will be the best in case of huge capital requirements.

v. **Extent of Risk and Liability**

If an entrepreneur is willing to bear the risk associated with the business, he can organise his business as a sole proprietorship or partnership. But if the entrepreneur is hesitant to bear the risk involved in business, he/she can go for a company where individual risk is limited.

vi. Government Regulations

If an entrepreneur does not like much legal formalities or government regulations involved, then he can select proprietorship or Partnership as the form of his business ownership instead of a company where the government rules and regulations apply more.

Recap

- ◊ Selecting an appropriate organisational form is a foundational decision for any entrepreneur.
- ◊ The various forms of business organisation include Sole proprietorship, Partnership, Joint Hindu family business, Co-operative society, Joint stock company, Limited Liability Partnership (LLP), and One Person Company (OPC).
- ◊ Various business organisation which are suitable to the nano businesses are Sole proprietorship, Partnership, Limited Liability Partnership (LLP), and One Person Company (OPC).
- ◊ Sole proprietorship is a type of business organisation where a business is owned, controlled, and managed by a single individual. It is the simplest and oldest form of business organization.
- ◊ Partnership can be considered as a popular form of business for the small and medium scale businesses. This form of business overcomes the problem of sole proprietorship due to the limitations of the sole proprietorship like limited financial resources, limited managerial skills, problem of individual sharing of risk, limited scope of expansion so on.
- ◊ A partnership is a form of business in which two or more individuals agree to share ownership, responsibilities, profits, and losses while jointly managing the enterprise.
- ◊ Limited Liability Partnership (LLP) is a form of business structure which amalgamates the characters of both traditional partnership firms and limited liability corporations. As the name suggests, its members or partners has limited liability, has a separate legal entity, and perpetual succession.
- ◊ A One Person Company as the name suggests refers to a company established by a single person. He/She establishes the company and manages its operations. However, an OPC has all the features of a company, such as perpetual succession, limited liability and a separate legal entity.

Objective Questions

1. Which form of business is owned and managed by a single individual?
2. Which form of business blends features of a partnership and a company?
3. Which business organisation can be established and operated by only one person but still has company-level features?
4. Which form of organisation is considered the simplest and oldest?
5. Which organisational form provides limited liability to its partners?
6. Which organisational structure provides perpetual succession and a separate legal entity with only one owner?
7. Which form of organisation helps overcome the limitations of sole proprietorship such as limited capital and skills?
8. Which form of organisation offers both limited liability and partnership-style management?
9. Which form of business is most suitable when the area of operation is confined to a locality?
10. Which form of business organisation must have at least two members to operate?

Answers

1. Sole proprietorship
2. LLP
3. One Person Company
4. Sole proprietorship
5. LLP
6. One Person Company
7. Partnership
8. LLP
9. Sole proprietorship
10. Partnership

Self Assessment Questions

1. What do you mean by One Person Company? Discuss its features.
2. Discuss the advantages and disadvantages of Sole Proprietorship
3. Explain the different decision-making factors in choosing a business structure
4. Define Partnership. Discuss the features, advantages and disadvantages of Partnership.
5. Elaborate the concept of Limited Liability Partnership
6. What do you mean by LLC?

Assignments

1. Why is sole proprietorship considered the most suitable form of organisation for nano businesses requiring close personal supervision?
2. How does a partnership help overcome the limitations of a sole proprietorship in terms of financial resources and managerial skills?
3. How should a nano entrepreneur evaluate key deciding factors such as liability, control, capital needs, regulatory compliance, and future expansion when choosing between an LLP, an OPC, and a sole proprietorship?
4. In what situations would an OPC be more suitable for a nano business than a sole proprietorship?
5. How can the separate legal entity status of LLPs and OPCs help nano businesses build credibility with clients and investors?

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BLOCK 3

Legal and Regulatory Framework

Unit 1 Registration of the Venture

Learning Outcomes

After completing this unit, the learner will be able to:

◊ comprehend the various steps to register a nano business

◊ familiarise the necessary documentation

◊ gain insight into the legal implications of registration

Prerequisite

Meera wanted to start a tiny home-based bakery called Tasty Bites. She first completed Udyam Registration using her Aadhaar and PAN, then applied for a Trade Licence through K-SWIFT by uploading her ID and home address proof. Since she started a food business, she also obtained Basic FSSAI Registration for ₹100 and later received a Sanitation and Health Certificate after a quick inspection of her kitchen. With these registrations, Meera became legally compliant, avoided penalties, and confidently opened her mini bakery, knowing she could now grow her dream safely and legally. This story highlights the different steps of registration a nano entrepreneur had to go through, the necessary documentation she required and the legal implications of the registration. This unit discusses more about the steps involved in registration of a nano entrepreneurship, the necessary documentation and the legal implications of registration.

Keywords

Nano Business, MSME, Udyam Registration, K-SWIFT, Documentation

Discussion

According to the Directorate of Industries and Commerce, Government of Kerala, a nano business unit refers to a business unit with a fixed capital investment not exceeding ₹10 lakh. Such businesses are engaged in manufacturing, services, or job work. These business units operates with a connected load of 5 HP or less and are classified under the white or green pollution control categories.

3.1.1 Steps to Register a Nano Entrepreneurship

Fig: 3.1.1 Steps to Register a Nano Entrepreneurship

i. Choose a Business Idea

Choosing a clear and practical business idea is the initial step to be undertaken by a nano entrepreneur. A good nano business idea should be based on what the nano entrepreneur already knows or what he/she can learn quickly. If a nano entrepreneur choose a business where he/she already have skills, then training costs and mistakes can be reduced to a great extent. For example, if the nano entrepreneur is good at stitching, a tailoring unit is a natural option; if he /she enjoys cooking, then he /she can start snack-making or tiffin service. Similarly mobile or electrical repair shop is a viable business idea for someone having technical skills.

The business idea must match the local demand. If the area lacks a tea shop, snack corner, tailoring shop, or mobile repair shop, then this gap provide a business opportunity to establish such businesses. Similarly, home food services, beauty services, tuition centres, or home-based tailoring are some of the viable business ideas that are having demand in urban residential areas.

Space is a major factor in nano handicraft businesses. Ideas requiring minimal space like tailoring, beauty services, or handicraft making can be operated from home. However, for business ideas like a tea shop, grocery counter, mobile repair centre, or salon, small rented spaces or shops will be required. The nature of the space also determines the licences that are needed later.

As nano enterprises are meant to start with small investment (ie, ₹10 lakh or below, usually much less), the business idea must match the budget of the nano entrepreneur.

In addition to this, each business has to comply with different legal requirements. For example, food businesses need FSSAI registration, salons require local trade licence and hygiene certificate, manufacturing units require the pollution certificate issued by the Pollution Control Board, and trading businesses may need GST depending on turnover. So, before choosing the business idea, it is important to check if the required licences are manageable and affordable to the nano entrepreneur. A nano enterprise should ideally start with an idea where the licensing process is simple and easy to complete.

ii. Determination of Category of Business

Before starting a nano enterprise, it is imperative to decide in which category of business the nano business comes in. Only businesses coming under the white or green category classification of the Pollution Control Board are eligible for being called as a nano business unit.

iii. Decide the Type of Activity (Manufacturing or Service or Trading)

After selecting the business idea, the next step before the nano entrepreneur is to classify the business as Manufacturing or Service or Trading. It is because, the type of business will have to be specified at the time of registration in various instances such as at the time of Udyam registration for MSME units, K –SWIFT, while applying for bank loans and so on.

- If the nano business intents to produce products, like snacks, pickles, candles, soap, handicrafts,then it falls under the category of manufacturing.
- If the nano business provides personal services, such as tailoring, salon, tuition,

mobile repair, design work, photography, or delivery, it falls under the category of service.

- If the nano business intends to buy and sell products, like a grocery shop, mobile accessories shop, garment shop, footwear shop, or stationery store, then it falls under the category of trading activity.

Classifying your activity correctly helps you select the correct NIC code in Udyam registration, choose the right trade category in the local body licence, and meet sector-specific regulations.This step ensures that all future registrations are accurate, consistent, and legally valid.

iv. Deciding the Ownership Structure

Once the nano entrepreneur has a clear idea regarding the business and the type of business, the next step is to choose the ownership structure. It is a pivotal step in registering a nano enterprise. There are various forms of ownership structures suitable for nano businesses such as sole proprietorship, partnership, limited liability partnership and one person company. For nano enterprises in Kerala, the simplest and most practical ownership structure is sole proprietorship.

v. Prepare the Necessary Documentation for Registration

The next step is the preparation and gathering of necessary documents for the purpose of registration. Preparing documents in advance helps to saves time and ensures a smooth registration process across different offices.

First, personal documents of the nano entrepreneur such as the Aadhaar card (linked with mobile for OTPs), PAN card, and a recent photograph must be kept ready before registration. These are required for almost all registrations, especially Udyam (MSME) registration, applying for various licenses and at the time of opening bank account.

Next, it is important to prepare premises documents. This depends on whether the business operates from your home or a rented shop. If the premises are owned, a property tax receipt, building number, and an electricity or water bill should be kept ready. If the premise is rented, then a rent agreement and an NOC (No Objection Certificate) from the owner, along with the building's tax receipt will be required.

It is also essential to prepare basic business details such as business name, activity description, tentative date of starting operations, estimated investment in equipment, expected turnover, and number of employees (if any) at the time of Udyam registration for MSMEs.

vi. Register on Udyam (MSME Registration)

- Udyam registration is a paperless, self – declared online registration process to get easily registered under the Micro Small and Medium Enterprises (MSMEs).
- The registration process is simple and is completely free. It is one of the most important registrations for a nano enterprise. Although Udyam registration is

not compulsory for nano businesses, it is still required for availing government schemes, bank loans, and other priority sector benefits. The certificate is used in trade licence applications, bank account verification, and government scheme applications.

- Upon completing the Udyam registration, an enterprise receives an e-certificate known as the Udyam registration certificate. It contains a unique, permanent 16-digit alpha-numeric registration number.

- Udyam Registration is issued by The Ministry of Micro, Small and Medium Enterprises (Government of India). This registration is a one-time process and it eliminates the need for frequent renewals. To qualify for Udyam registration, an enterprise must satisfy these conditions:

a. It should fall under the category of Micro, Small, or Medium Enterprise (MSME).

b. It must operate as a recognized business structure, such as a sole proprietorship, partnership firm, LLP, or any other legally accepted entity.

c. It must comply with the prescribed investment and annual turnover limits specified for MSME classification.

Udyam registration is quite a simple process. For Udayam registration, a nano enterpreneur has to visit the official portal (udayamregistration.gov.in). The basic details to be entered includes Aadhaar number of the proprietor or key person, the Aadhar linked mobile number, and the PAN of the individual or entity. The applicant must also fill the various enterprise-related information such as the business name, type of organisation (whether it is sole proprietorship, partnership, LLP, company, etc.), official business address, the date on which the enterprise commenced operations. Bank details like the account number and IFSC code are also required. The application form further asks for the nature of business activity such as manufacturing or services or trading and the relevant NIC codes that describe the activities carried out by the enterprise. Additionally, the applicant must also declare the estimated investment in plant, machinery, or equipment, the approximate annual turnover, and the number of employees working in the unit. Finally, the applicant must also confirm whether they hold a GSTIN and provide any previous MSME registration numbers, before submitting the self-declaration.

The system works on self-declaration, and no documents are uploaded. After submission, you receive the Udyam Registration Certificate with a unique Udyam Registration Number. This certificate serves as the official identity of your nano unit. It does not require renewal unless details change.

vii. K –SWIFT Acknowledgement Certificate and Licenses

K –SWIFT Acknowledgement Certificate

The next step is to apply for K –SWIFT Acknowledgement Certificate.

K-SWIFT stands for Kerala Single Window Interface for Fast and Transparent

Clearance. Through this single portal, entrepreneurs can apply for multiple licenses and permits without having the need to visit different departments.

Thus anyone who registers through the K- SWIFT portal using their mobile phone number and email address can immediately obtain the K-SWIFT Acknowledgement Certificate.

Thus, a nano entrepreneur can start operation by getting the K-SWIFT Acknowledgement Certificate.

The Kerala Micro, Small and Medium Enterprises Promotion Act exempts certain permits under state laws for a period of 3 years for any MSME venture starting with an investment of less than Rs. 50 crore and not falling under the red category as per the norms of the State Pollution Control Board. Thus, it will be sufficient for the entrepreneur to obtain the above-mentioned permits within 6 months after 3 years. During this period, inspections by the relevant departments at industrial establishments have been waived

Exemption to Nano Business Units

In addition to this, in relation to the nano businesses it is relevant to note that, according to the order Order No. S.U.(Kai) 116/2017/Industry dated 21.01.2020 , of the Local Self-Government Department , Industrial units using equipment with a capacity of less than 5 HP, approved by the Industries Department and the Pollution Control Board, have been exempted from the licenses issued by local self-government bodies.

Licenses

There are certain general licenses applicable to all types of businesses and certain industry – specific licenses.

General licenses include

- **Trade Licence (Panchayat/Municipality/Corporation)**

Every physical business unit in Kerala including home-based units, shops, salons, tea shops, tailoring units and repair centres has to obtain a trade licence or D&O licence from the applicable local body (panchayat, municipality / corporation) under which the business operates.

The application must be made to Panchayat, Municipality, or Corporation office. It can also be applied through the K-SWIFT portal.

- **Register under the Kerala Shops & Commercial Establishments Act**

After obtaining the trade licence, it is necessary to register undrer business under the Kerala Shops and Commercial Establishments Act, 1960, through the Labour Commissionerate's online portal. This registration applies to all shops and commercial units in Kerala except factories. After online submission and fee payment, the Labour Department issues a Shops & Establishments Registration Certificate, Which must be displayed at your business premises.

This registration ensures compliance with labour rules regarding working hours, weekly holidays, employee welfare, cleanliness standards, and other legal requirements. It can also be applied through the K-SWIFT Portal.

Industry Specific Licenses

These are the special approvals required for certain types of business activities, depending on the nature of the industry, materials used, level of risk, and impact on public health or the environment. For example, food-related nano business units such as tea shops, snack manufacturers, bakeries, and catering units must obtain FSSAI registration. If the nano business unit is involved in the business of selling packaged food products it may need a Packers Licence under the Legal Metrology Department along with the FSSAI registration. Salons, beauty parlours, spas, and tattoo studios need Health and Sanitary Clearance from the Panchayat/Municipality/Corporation. These licences ensure that even nano businesses operate safely, follow hygiene, environmental, and safety norms, and comply with legal requirements specific to their industry.

viii. **GST Registration (If Required)**

GST registration is not compulsory for nano businesses. However, GST registration is mandatory in the following cases.

i. If the annual turnover of the nano business crosses the threshold (currently ₹40 lakh for goods and ₹20 lakh for services),

ii. If the nano business sells its product online by participating in e – commerce platforms like Flipkart, Amazon etc.

iii. In the case of inter - state sale of goods by the nano business unit.

In order to register, the nano entrepreneur must create an account on the GST portal (gst.gov.in). After creating the account, the nano entrepreneur has to submit the details like PAN, Aadhaar, business address proof, bank details, business name, and photograph of the nano entrepreneur. Once verified, the nano entrepreneur receives a GSTIN (Goods and Services Tax Identification Number).

ix. Opening a Current Account for the Business

Before registering for the licenses, it is essential to open a bank account in the name of the business. It is required for many registrations, especially GST registration. However, in the case of sole proprietorship, the bank account can be opened in the name of the owner themselves.

x. **Apply for Kerala's Nano Enterprise Schemes (Optional but Recommended)**

This is only an optional step. Nano entrepreneurs can apply for the Interest Subvention Scheme offered to the Nano Household Enterprises. Under this scheme, interest subsidy on term loans is provided to the nano units in manufacturing, services, and job-work. As per the scheme, if a nano entrepreneur has taken a business loan from a bank, he/she is eligible to receive a subsidy of 6–8% on the interest for up to three years, with higher benefits for women and SC/ST entrepreneurs. In order to apply for this scheme, the applicant needs to have Udyam registration, Trade licence, Shops & Establishments certificate, Bank loan sanction and repayment records.

Applications are submitted through the District Industries Centre (DIC) or the Kerala Industries Department portal. This scheme reduces the financial burden of the nano entrepreneurs and supports sustainable business growth.

3.1.2 Necessary Documentation

As mentioned earlier, a nano business has to choose an appropriate form of business ownership. It may be Sole Proprietorship, Partnership, Limited Liability Partnership (LLP) or a One – Person Company. The necessary documentation required for each of the business ownership and their registration procedures are outlined below :

3.1.2.1 Necessary Documents required for Sole Proprietorship Registration

Even though registration is not compulsory for a nano business unit operating as a sole proprietorship, a nano business still becomes legally recognised after applying for Udyam registration, GST registration and by, applying for licenses such as trade licence. These approvals act as official proof that the business exists and is authorised to operate, enabling it to interact lawfully with government authorities, banks, suppliers, and customers.

Thus, a sole proprietor will require the following documents at the time of Udyam registration, GST registration or at the time of applying for the required licenses

1. **Personal Identification Documents**

It includes Aadhaar Card of the sole proprietor, PAN Card or any other valid government-issued identity proof of the sole proprietor

2. **Bank Account Details of the Business**

Bank Account (Current Account) details in the name of the business is required. To open a bank account, identification documents and GST registration details are generally needed.

3. **Business Address Proof**

It includes the proof of the business location. It may be rented or owned. If rented, then the address proof will be Rental agreement , No Objection Certificate (NOC) from the landlord, if applicable will be required. If the property is owned, then electricity bill or other utility bill.

3.1.2.2 Documents required for Partnership

Like Sole Proprietorship, registration is not compulsory in the case of partnership. It is at the discretion of the partners whether they want to register the partnership firm or not. But a partnership firm cannot avail legal benefits if it is not registered, hence it is always advisable to register it.

i. Partnership deed

Although partnership deed can be oral, generally a partnership deed is written to avoid any future conflict. Partnership deed is created on a judicial stamp paper obtained from the respective State Registrar Office. It has to be signed by all the partners. It contains rights and duties of the firm and the partners.

ii. Documents of the Firm

It includes PAN Card of the firm and address proof of the firm. If the registered office of the business is rented, rent agreement and one utility bill (ie electricity bill, water bill, property tax bill, gas receipt.) have to be submitted. Also, NOC from landlord have to be submitted. If the registered office is owned one, then utility bill should be submitted mentioning the name of the owner (partner). Also, a NOC from the owner should be submitted.

iii. Documents of the Partner

It includes PAN Card of all the partners and, address proof of all partners. All partners of the firm must submit any government-authorised address proof. Some of such address proofs include Voter's ID, driving license, Aadhaar card, passport or utility bills not older than 2 months.

iv. Affidavit

The partners must submit all the above documents along with an affidavit certifying that all the details mentioned in the deed and the supporting documents are accurate. The affidavit must be submitted to the Registrar of firms for registration.

3.1.2.3 Documentation for Limited Liability Partnership (LLP)

Following are the documents required for the LLP registration process online .

i. Documents of Partners

Documents of Partners inclue the following

- PAN Card/ID Proof of all Partners
- Address Proof of all Partners: Any one out of Voter’s ID, Passport, Driver’s License, or Aadhar Card may be submitted as ID proof by the partners
- Residence Proof of Partners: Partners need to provide recent documents such as a bank statement, any one utility bill (telephone bill, mobile bill, electricity bill, or gas bill) issued within the 2-3 months.
- Photograph: Partners should also submit a passport-size photograph with a white background.

- Passport for Foreign Nationals and NRIs: Foreign nationals and NRIs who are intending to enter as partner in an Indian LLP should submit their passport. In addition to this, they should also submit any one of the documents driving license, bank statement, residence card, or any government-issued identity proof as proof of address.

ii. Documents of LLP

- **Proof of Registered Office Address**: If the office is rented, the landlord's rent agreement and a no-objection certificate from the landlord can be submitted as proof of office address. If it is owned, then any one of the utility bills such as gas, electricity, or telephone with the complete address and owner's name can be submitted as proof of address of office. However, utility bill should not be older than 2 months.

iii. Digital Signature Certificate (DSC)

At least one designated partner must have a DSC for digitally signing documents as all the documents and applications will have to be digitally signed by an authorised signatory.

3.1.2.4 Documentation for One Person Company (OPC)

i. **Memorandum of Association (MoA):** Lays down the fundamental objectives and scope of activities of a company.

ii. **Articles of Association (AoA):** lays down the Internal laws, governance structure and operational procedures for managing the company's affairs.

iii. **Consent of the Nominee:** Since as an OPC has only one director and one member, a nominee must be appointed to take over the member's role if the sole member becomes incapacitated or passes away. The nominee will act on behalf of the member and assume their responsibilities to ensure the continuity of the company. The nominee's consent, along with their PAN card and Aadhaar card, must be submitted via Form INC-3.

iv. **Proof of Registered Office :** Proof of the registered office of the company proposed along with the proof of ownership and a NOC from the owner should be submitted.

v. **Declaration and Consent of the Proposed Director:** The proposed director should furnish a declaration in Form INC-9 and their consent in Form DIR-2.

vi. **Declaration by a qualified professional :** A declaration by a qualified professional certifying that all necessary legal compliances have been adhered to.

Digital signature certificate of the proposed director : Documents like Address proof, Aadhaar card, PAN card, Passport-size photograph, Email ID, Mobile number will also be required for applying for the digital signature certificate of the proposed director.

3.1.3 Legal Implications of Registration

The following are the implications of registration for a nano business

i. Legal Recognition of the Enterprise

A nano business unit becomes a legally recognised business entity after completing the required registration steps and submitting necessary documents such as PAN, Aadhaar, address proof, of business and so on. This formal identity enables the nano business to open a bank account, apply for licences, receive approvals, and operate lawfully and be recognised by government authorities.

ii. Recognition Under MSME Laws (Linked to Udyam registration)

When the business obtains Udyam Registration, it becomes eligible for legal protections under MSME laws such as delayed payment protection, priority lending, and government subsidies.

iii. Eligibility for Government Schemes

Udyam Registration makes the business eligible to apply for subsidies, grants, insurance schemes, repayment protections, and bank loans. These protections are offered only to registered enterprises. This means that registration brings both opportunities and legal responsibilities.

iv. Access to Mandatory Licences and Approvals

A registered nano unit becomes eligible to obtain essential licences such as Trade Licence, Shops and Establishments Act Registration, FSSAI (if food-related), Pollution Control approval (if required), and other local body permissions.

v. Ability to Enter Basic Legal Agreements

Registration process enables the nano business to enter into rental agreements, supply agreements, purchase contracts, and service agreements in a lawful manner. These contracts become valid and enforceable.

vi. Responsibility to Follow Regulatory Compliance

Once registered, the nano business must comply with rules related to labour, safety, hygiene, environmental standards, and licence renewals. Failure to comply can result in penalties, licence suspension, or closure notices.

vii. Tax Responsibilities for the Business

A registered nano business must follow applicable tax rules such as filing Income Tax returns, paying Professional Tax, and obtaining GST registration when required (turnover limit or online/interstate supply). These obligations begin once the business is formally recognised.

viii. Proof of Existence for Government and Financial Institutions

A registered nano business has verified documentation, which is essential for applying for loans, subsidies, tenders, and financial assistance. Authorities consider registration proof as the basis for evaluating eligibility.

Recap

- ◊ A nano business unit refers to a business unit with a fixed capital investment not exceeding ₹10 lakh. Such businesses are engaged in manufacturing, services, or job work. These business units operates with a connected load of 5 HP or less and are classified under the white or green pollution control categories.
- ◊ Only Businesses coming under the white or green category classification of the Pollution Control Board are eligible for being called as a nano business unit.
- ◊ There are various forms of ownership structures suitable for nano businesses such as sole proprietorship, partnership, limited liability partnership and one -person company.
- ◊ Udyam registration is a paperless, self – declared online registration process to get easily registered under the Micro Small and Medium Enterprises (MSMEs).
- ◊ Udyam registration is one of the most important registrations for a nano enterprise.
- ◊ Although Udyam registration is not compulsory for nano businesses, it is still required for accessing government schemes, bank loans, and other priority sector benefits. The certificate is used in trade licence applications, bank account verification, and government scheme applications.
- ◊ Upon completing the Udyam registration, an enterprise receives an e-certificate known as the Udyam registration certificate. It contains a unique, permanent 16-digit alphanumeric registration number.
- ◊ Udyam Registration is issued by the Ministry of MSME (Government of India).
- ◊ K-SWIFT stands for Kerala Single Window Interface for Fast and Transparent Clearance. Through this single portal, entrepreneurs can apply for multiple licenses and permits without having the need to visit different departments.
- ◊ A nano entrepreneur can start operation by getting the K-SWIFT Acknowledgement Certificate.
- ◊ Industrial units using equipment with a capacity of less than 5 HP, approved by the Industries Department and the Pollution Control Board, have been exempted from the licenses issued by local self-government bodies.
- ◊ There are certain general licenses applicable to all types of businesses and certain industry – specific licenses.

◊ Industry – specific licenses are the special approvals required for certain types of business activities, depending on the nature of the industry, materials used, level of risk, and impact on public health or the environment.

Objective Questions

1. What is the maximum fixed capital investment limit for a nano business unit?
2. What is the maximum connected load (in HP) permitted for a nano business unit?
3. Under which Pollution Control Board categories must a nano business unit fall to be eligible?
4. Name any one type of business activity a nano business unit can engage in.
5. Which ownership structure allows a single individual to run a company with limited liability?
6. What is the name of the paperless, self-declared online registration for MSMEs in India?
7. Which Ministry issues the Udyam Registration Certificate?
8. What is the name of the portal that provides single-window clearance for entrepreneurs in Kerala?
9. Which certificate allows a nano entrepreneur to start operations through the K-SWIFT portal?
10. What type of licenses are required only for specific business activities based on industry nature?

Answers

1. ₹10 lakh
2. 5 HP
3. White or Green
4. Manufacturing / Services / Trading
5. One Person Company

6. Udyam Registration
7. Ministry of MSME
8. K-SWIFT
9. K-SWIFT Acknowledgement Certificate
10. Industry-specific licenses

Self Assessment Questions

1. Explain the Steps to register a nano business
2. What do you mean by K-SWIFT?
3. What is Udyam Registration?
4. Give a brief note on the necessary documentation required for each type of business ownership?
5. Explain the legal implications of registration

Assignments

1. Why is it important for a business to obtain both a general business licence and specific permits? Explain how each serves a different regulatory purpose.
2. Evaluate the difference between Consent to Establish (CTE) and Consent to Operate (CTO)
3. Why must even small food businesses obtain FSSAI registration, and what risks arise if they fail to comply?
4. What role does the Kerala Shops & Commercial Establishments Act play in protecting employee welfare in small businesses?
5. Explain how online platforms like K-SWIFT can reduce barriers to entrepreneurship for nano units.

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Unit 2 Environmental Regulations

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ comprehend the concept of environmental compliance requirements
- ◊ understand the impact of environmental laws on nano enterprises

Prerequisite

Arun started a nano enterprise making handmade candles in a small room of his house. Even though his business was very small, he soon learned that he still had to follow basic compliance requirements such as getting a Trade Licence, registering under Udyam, maintaining safety in his workspace, and ensuring clean storage of materials. When he checked the rules, he discovered that environmental laws also applied to nano units depending on the type of activity. Since his candles used dyes, fragrances, and produced small amounts of melted wax waste, he had to make sure he followed environment-friendly practices, like proper waste disposal and using non-toxic materials.

Arun found that while nano enterprises often don't need full Pollution Control Board consents, they must still ensure their work does not harm air, water, or the local surroundings. This made him choose cleaner raw materials, keep a waste box for wax, and avoid chemical dyes. In the end, Arun realised that environmental laws protect both the community and the business, and following them made his products safer and more trusted by customers. His small step toward compliance helped him grow his eco-friendly brand responsibly. This unit discusses about environmental compliance requirements and the impact of environmental laws on nano enterprises.

Keywords

Nano enterprises, compliance requirements, Pollution Control Board

Discussion

Environmental regulations play a pivotal role in ensuring that businesses operate in a responsible and sustainable manner. As already mentioned before, nano business units are those business units that come under the green or white category classification of industries of the Pollution Control Board. Although nano enterprises are small in scale of operation, their cumulative environmental impact can be significant, if basic standards are not followed. Many nano units engage in activities such as food processing, small scale manufacturing, tailoring, salon services, printing, welding, carpentry, or repair works, all of which may generate waste, smoke, fumes, noise, or chemical residues. Hence, environmental regulations are done to ensure that such activities remain safe for workers, neighbours, and the natural surroundings.

3.2.1 Compliance Requirements

3.2.1.1 Understanding Industry Categories: White & Green

Nano enterprises are generally classified under White or Green categories of the Pollution Control Board.

i. White Category

White Category includes businesses that are non-polluting or having negligible-pollution activities. Tailoring units, IT services, tutoring centres, small beauty parlours, mobile repair units, and home-based food preparation units operating without heavy machinery are some of the business activities that are classified under the white category of the Pollution Control Board (PCB). Business units that come under the white category are virtually pollution-free and therefore do not require prior permission from the Pollution Control Board. A simple self-declaration is usually sufficient. This greatly simplifies compliance for nano entrepreneurs.

ii. Green Category

Businesses that come under the Green category are those that produce low levels of pollution but still require only minimal regulatory monitoring. This includes small manufacturing or processing units like carpentry workshops, welding units, printing units, soap making, candle making, small fabrication, and food processing using machines. These units may produce low levels of noise, dust, smoke, or chemical residue. Hence, they require Consent to Establish (CTE) before starting activities and Consent to Operate (CTO) after setting up machinery and commencing operations.

Consent to Establish (CTE)

For Green category nano enterprises, the first major compliance step is obtaining the Consent to Establish (CTE). This approval ensures that the proposed business location and setup meet environmental standards before the unit begins operations. To apply for CTE, the entrepreneur must submit details such as the type of business activity, proposed machinery list, size of the building, waste disposal plan, and details of chemicals (if applicable). The Pollution Control Board examines whether the site is suitable, whether the emissions or noise levels are manageable, and whether any environmental risk exists. CTE protects both the entrepreneur and the neighbourhood by ensuring the business is established in an appropriate manner. Without CTE, the entrepreneur risks penalties and closure orders.

Consent to Operate (CTO)

After the unit has been set up, a nano enterprise must apply for Consent to Operate (CTO). This confirms that the business is operating in the same manner it was approved during CTE and that necessary safety measures are installed. During the CTO process, the Pollution Control Board may inspect the premises to verify arrangements such as ventilation, waste storage, drainage, dust control, or noise reduction mechanisms. CTO is usually granted for a period of one to five years, after which the nano enterprise must renew it. Operating without a valid CTO can lead to penalties or shutdown notices. For very small units, the procedure is simplified through Kerala's K-SWIFT portal, making the process easier and faster.

3.2.1.2 Waste Management Standards

Waste management is a critical part of environmental compliance for nano enterprises. Every business, whether service or manufacturing, generates some form of waste. It may be solid, liquid, or chemical. Food businesses produce organic waste, salons generate cosmetic waste , workshops create metal scraps or sawdust, and small processing units may discharge water with detergents or dyes. Environmental regulations require nano enterprises to segregate waste, store it safely, and dispose of it responsibly. Organic waste must be composted or handed over to authorised municipal collection. Hazardous waste such as used oil, chemicals, or biomedical waste must never be dumped into drains or soil. Proper waste management not only prevents pollution but also keeps the business premises clean and reduces health risks.

3.2.1.3 Air & Noise Pollution Control

Nano enterprises that use machines like grinders, cutters, saws, welding equipment, or printing machines may produce noise, smoke, dust, or fumes. Environmental laws require such units to take simple but effective measures:

- Install exhaust fans or small chimneys
- Maintain proper ventilation
- Use silencers or rubber mats under machines

- Operate noisy equipment during permissible hours
- Keep diesel generators properly maintained

These small steps ensure that the business's operations do not disturb neighbouring households or pollute indoor air. Food units using gas stoves or ovens must ensure proper exhaust systems to release fumes safely.

3.2.1.4 Water Usage, Effluent & Chemical Handling

Nano units that use chemicals, dyes, adhesives, paints, or detergents must ensure they are stored safely in labelled containers. Wastewater containing chemicals should never be released into public drains or open soil. Instead, the unit must follow proper effluent disposal practices. For units with very mild liquid waste, such as soap-making or detergent mixing, wastewater should be filtered and disposed of responsibly. Improper handling of chemicals can cause environmental damage and invite legal action. Water-based food units must also maintain hygiene and ensure wastewater does not stagnate or cause contamination.

3.2.2 Impact of environmental laws on nano enterprises

Environmental laws have a significant impact on how nano enterprises operate, invest, and manage their daily activities. Although the compliance requirements for nano business are much simpler as compared to large industries, they still shape business design, processes, and cost structures.

i. Ensures Safe and Responsible Business Operations

Environmental regulations encourage nano units to adopt safe practices. This includes proper ventilation, waste disposal, and cleanliness. This helps to improve workplace safety and reduce health risks for workers and nearby residents.

ii. Influences Choice of Business Location and Activity

The Pollution Control Board classification of the Business units affects where the unit can be located. While White category units can operate from homes or small shops, Green category units may require commercial spaces or small workshops that meet PCB norms. This impacts costs and feasibility.

iii. Affects Capital Investment and Machinery Choices

Nano units may need to invest in basic pollution control measures such as chimneys, exhaust fans, silencers, drainage systems, or chemical storage arrangements. Even though the investment is small, it still influences startup cost and planning.

iv. Encourages Efficient Waste Management

Environmental laws push nano businesses to adopt disciplined waste segregation and disposal practices, which reduces environmental harm and enhances operational efficiency.

v. Prevents Legal Penalties and Business Interruptions

Non-compliance of evironmental regulations can lead to penalties and fines, suspension or cancellation of licences, Closure orders from local bodies or PCB

vi. Enhances Market Image and Credibility

Customers and local communities often prefer businesses that operate cleanly and safely. Compliance improves reputation, especially for food units, salons, fabrication units, and service businesses.

vii. Supports Long-Term Sustainability

With proper environmental management, nano enterprises can operate without community complaints, environmental damage, or legal challenges, ensuring long-term survival and growth.

viii. Facilitates Access to Loans and Certifications

Banks and government schemes may ask for environmental clearance documents (CTE/CTO or self-declaration). Compliance strengthens the business's eligibility for finance and subsidies.

Recap

- ◊ Nano business units are those business units which come under the green or white category classification of industries of the Pollution Control Board.
- ◊ White Category includes businesses which are non-polluting or having negligible-pollution activities. Tailoring units, IT services, tutoring centres, small beauty parlours, mobile repair units, and home-based food preparation without heavy machinery are some of the business activities which are classified under the white category of the Pollution Control Board (PCB).
- ◊ Businesses which come under the Green category are those which produce low levels of pollution but still require only minimal regulatory monitoring. This includes small manufacturing or processing units like carpentry workshops, welding units, printing units, soap making, candle making, small fabrication, food processing using machines.
- ◊ For Green category nano enterprises, the first major compliance step is obtaining the Consent to Establish (CTE). This approval ensures that the proposed business location and setup meet environmental standards before the unit begins operations.
- ◊ After the unit has been set up, a nano enterprise must apply for Consent to Operate (CTO). This confirms that the business is operating in the same manner it was approved during CTE and that necessary safety measures are installed.

Objective Questions

1. Expand PCB
2. Expand CTE
3. Expand CTO

Answers

1. Pollution Control Board
2. Consent to Establish
3. Consent to Operate

Self Assessment Questions

1. Explain the impact of environmental laws on nano enterprises
2. What is Consent to Operate and Consent to Establish?

Assignments

1. What challenges do nano enterprises face in understanding and meeting environmental compliance, and how can government systems like K-SWIFT support them?
2. How can environmental inspections influence production planning and operation strategies of small businesses?
3. If a nano enterprise ignores environmental guidelines, what legal and financial consequences might it face, and how could this affect its future growth?

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BLOCK 4

Licenses, Permits, and Compliance

Unit 1 Licenses and Permits

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ gain insight into the different Licenses and Permits
- ◊ comprehend the benefits of K-SWIFT
- ◊ analyse the industry - specific requirements

Prerequisite

Meera, decided to start a nano business unit making homemade snacks. As soon as she began planning, she realised that even a tiny nano business unit required proper licences and permits. For her food business, she needed a Trade Licence, FSSAI Registration, Sanitation Certificate, and Packers License. She learned that, different nano businesses require different industry-specific requirements. To avoid running around different offices, Meera used K-SWIFT, Kerala's online single-window system, to apply for multiple approvals in one place. The portal made the application process simple, transparent, and quick. After starting her business, Meera also understood the importance of renewal and compliance, because licences like Trade Licence and Sanitation Certificate must be kept updated each year. Through this journey, Meera learned that identifying the right licences, following the correct processes, using digital systems, and complying with industry rules are essential for running even a small nano business legally and confidently. This unit discusses about the various licenses and permits that are relevant for nano businesses, K-SWIFT and Industry specific requirements.

Keywords

Licenses, Permits, K- SWIFT, Industry –specific requirements

Discussion

4.1.1 Identifying required licenses and permits

4.1.1.1 Licenses

A business licence can be considered as a general authorization which allows a business to legally operate within a city, state, or country. It is the basic approval required to start a business, showing that the business follows local rules, taxation, and commercial regulations.

The following are some of the licenses applicable to the Nano Businesses

1. **Trade Licence (D&O Licence)**

This license is issued by the relevant local body under which the business unit intents to operate. This license is the official permission to conduct commercial activities within a local body, which may be Panchayat, Municipality, or Corporation. This license ensures that the chosen business activity is suitable for the location chosen and that it does not pose risks to public health or safety. The licence is essential for nano businesses such as tea shops, petty shops, small retail stores, tailoring shops, beauty parlours, mobile repair shops, printing shops, and so on. To apply for the trade license, an entrepreneur can apply either directly at the local body office or through the K-SWIFT portal by submitting the relevant documents like ID proof, building documents, and details of the business.

2. **Kerala Shops and Commercial Establishments Act Registration**

The Kerala Shops & Commercial Establishments Act (1960) requires every shop, office, commercial outlet, service centre, small business, bakery, restaurant, boutique, showroom, or trading unit to register with the Labour Department soon after starting operations. It legally certifies that the business follows the labour, employment, and working conditions rules of the state. This registration is mandatory for all commercial establishments, regardless of size, under the Labour Department. Nano businesses such as tailoring units, parlours, grocery shops, mobile repair shops, micro-manufacturing units etc., and online sellers operating from home or a small room must register under this Act. Registration is possible through K-SWIFT portal by submitting the relevant documents like ID proof, building documents, and details of the business and rental agreement.

3. **FSSAI License**

It is a mandatory certification that is required for all food-related businesses in India. It is issued by the Food Safety and Standards Authority of India (FSSAI). This license is mandatory for any nano business unit that is engaged in preparing, selling, storing, processing, or distributing food products. They include bakeries, snack manufacturers, home-based food businesses, hotels, repackers of food items, and so on. Such nano businesses must compulsorily obtain FSSAI Registration. The registration ensures that the unit follows basic food safety and hygiene standards. The license can applied online through the FoSCoS portal by submitting ID proof, business details, a premises layout (if applicable), and a declaration. Nano businesses typically need the Basic Registration, which costs ₹100 per year. Food inspectors may conduct a simple check for hygiene. Without FSSAI, the food business is illegal and may face penalties or closure.

FSSAI offers three types of licences. They are Basic Registration, State License and National License. Basic Registration is for food businesses with an annual turnover up to ₹12 lakh and fees for Basic Registration is ₹100 per year**.** The State Licence is issued to medium businesses with turnover between ₹12 lakh and ₹20 crore and the fees for State license ranges between ₹2,000 and ₹5,000 per year. The Central Licence is issued to large businesses earning ₹20 crore or above engaged in import/export, and the fees for this license is ₹7,500 per year.

4. Manufacturer/Packer Registration / Packers License

This license is issued by the Legal Metrology Department. This license is applicable to all those products that are packaged without the purchaser being present and have a predetermined quantity. It is therefore required by those nano businesses that pack, repack, weigh, label, or pre-pack goods for sale. Common nano business units needing this licence will include homemade snacks sold in packets, homemade spice manufacturers, flour re- packers, soap/detergent re-packers, small-scale, cleaning liquid units, and any enterprise selling products in printed or sealed packets. The Legal Metrology Department issues this licence to ensure that weights, measurements, and labels follow statutory standards. The entrepreneur applies online by submitting label samples, packing details, and basic business documents. The annual fee is usually ₹500–₹1,000. This ensures transparency for consumers and avoids legal issues related to incorrect packaging.

5. Pollution Control Board Consents (CTE & CTO)

The Pollution Control Board (PCB) provides two types of consents. They are Consent to Establish (CTE) and Consent to Operate (CTO) . Consent to Establish is the permission given by the PCB to start setting up a new industrial, commercial, or food-processing unit. It has to be obtained before starting construction, installation of machinery, or beginning operations. This permission is given to ensure that the proposed unit has proper plans for waste management, pollution control, water usage, emissions, and environmental safety before it is built.

Consent to Operate is the final approval given by the PCB. It allows a business unit to start actual production or operation after the unit has been established. It is issued only after PCB inspects and verifies that the unit has installed the required pollution-control systems, maintained safety standards, and is operating as per the conditions of the earlier CTE. CTO must be renewed periodically and it ensures that the business continues to operate without harming the environment.

Nano manufacturing units that produce mild emissions, noise, or waste usually come under the Green Category and must obtain Consent to Establish (CTE) and Consent to Operate (CTO) from the Kerala State Pollution Control Board. Nano businesses requiring these consents include carpentry units, small printing presses, food processing units using grinders or ovens, soap and detergent makers, candle manufacturers, metal workshops, and small chemical-mixing units. Applications for CTO and CTE are made through the K-SWIFT portal and the fees usually ranges between ₹1,000–₹3,000.

6. Fire Safety Licence / Fire NOC

This is required for nano businesses that involve fire risks such as restaurants using LPG, bakeries with ovens, fabrication units using welding torches, shops storing flammable materials, or small industries using heat-based machines. The Kerala Fire & Rescue Services Department issues this after inspecting fire extinguishers, emergency exits, storage of LPG, and ventilation. Application for this licence may be done through K-SWIFT or the Fire Department portal. Fees usually range from ₹500 to ₹2,000 depending on activity. Not all nano units need this: only those with potential fire hazards require this fire safety license.

4.1.1.2 Permits

Permits refer to specific approval which are required for certain activities that involve health, safety, environment, or technical risks. It applies only to particular operations within the business that must meet strict standards.

1. Sanitation Certificate / Hygiene Certificate

It is issued by the Panchayat, Municipality, or Corporation's Health Department to ensure that the premises are clean and hygienic. Nano business units requiring this certificate include those units involved in food preparation or close physical contact with customers, such as tea shops, catering units, bakeries, juice shops, salons, beauty parlours, spas, and wellness centres. A sanitary inspector checks drainage, waste disposal, ventilation, and washing facilities before granting approval. Fees usually comes between ₹100–₹500 depending on local regulations.

2. Health Card / Medical Fitness Certificate for Workers

Any nano business unit whose workers handle food or work closely with customers must obtain health cards for employees. Health certificate is required to be obtained in relation to nano business units like tea shops, restaurants, bakeries, juice shops, beauty parlours, and spas. The local municipal health centre issues the card after a basic medical checkup to ensure workers do not carry infectious diseases. The fee is typically ₹100–₹200. Health cards reduce the public health risk from contaminated food or close-contact services. Health Card/ Medical Fitness can be applied online through the K-SWIFT portal.

3. Occupancy Certificate

A building number and occupancy certificate are essential permits issued by the local body, allowing the building to be used for commercial activity. Any nano business unit which is operating from a shop, room, or commercial building like retail stores, parlours, and food units must ensure that the premises has an approved building number. Without this, the Trade Licence and other licences cannot be obtained. This permits confirm the safety, legality, and structural suitability of the premises. This certificate could also be applied through the K-SWIFT portal.

4. Waste Disposal / Waste Management Permits

Certain nano businesses that generate waste like food units, salons, printing presses, carpentry units, and workshops may need a waste disposal permit or written approval from the local body's Health or Sanitation Department. This ensures that waste is segregated and handed over to authorised collectors. The process is simple, low-cost, and often part of the Trade Licence or sanitation verification. This certificate could also be applied through the K-SWIFT portal.

5. Fire Safety Fitness Certificate (Operational Permit)

In addition to the Fire NOC (a licence), some local bodies also issue a Fire Safety Fitness Certificate confirming that the unit maintains fire extinguishers, emergency access, and safe storage. This applies to units using LPG, heat-producing equipment, welding tools, or ovens such as tea shops, bakeries, restaurants, welding units, and fabrication workshops. It is a permit confirming ongoing safety compliance.

Table 4.1.1

Difference between License and Permit

Basis	Licence	Permit
Purpose	General business approval	Activity-specific permission
Duration	Usually annual	Event/condition-based
Examples	Trade Licence, FSSAI	Sanitation Certificate, Fire Fitness

4.1.2 K-SWIFT

4.1.2.1 Meaning

K-SWIFT stands for Kerala Single Window Interface for Fast and Transparent Clearance. K-SWIFT is an online single window system that helps industrial enterprises obtained permits in a timely manner. Through this single portal, entrepreneurs can apply for multiple licenses and permits without having the need to visit different departments.

It was launched in February 2019.

Currently, the facility for applying for 90 permits from 21 different departments are available through this system. Various permits from departments and institutions such as Local Self-Government Department, State Pollution Control Board, Factories and Boilers, Legal Metrology, Labour, Electricity, Groundwater Department, Kerala Water Authority, Urban Planning, Fire & Rescue, and Agriculture are available through K-SWIFT. Now, along with granting permits to new enterprises, K-SWIFT also renew, the permits of existing industries.

- Businesses can register on K-SWIFT using a mobile number and email address. After logging in, if the entrepreneurs provide the details of the venture in response to a questionnaire, the portal itself will list the required permissions. After filling out a general application form, entrepreneurs can select the required permission and pay the prescribed application fee and permission fees online through the portal.
- K-SWIFT also has a system to notify the entrepreneur about the status of the application via SMS/email. When the concerned departments/institutions examine the applications and grant permissions, they can be downloaded from the portal itself.
- K-SWIFT has a mechanism to decide on the approvals under the state laws on applications submitted in full within 30 days. If the concerned officer does not take such action within the stipulated time, this system is designed to provide implied permission.

4.1.2.2 K-Swift Acknowledgement Certificate

The Kerala Micro, Small and Medium Enterprises Promotion Act exempts certain permits under state laws for a period of 3 years for any MSME venture starting with an investment of less than Rs. 50 crore and not falling under the red category as per the norms of the State Pollution Control Board.

Development permits, building permits for buildings with a plinth area not exceeding 20,000 square feet and a height not exceeding 15 meters, layout permits, permits for the establishment of factories and machinery, and licenses issued by local self-government bodies are some of the permits that have been exempted for 3 years.

Anyone who registers through the K-SWIFT portal using their mobile phone number and email address can immediately obtain an Acknowledgement Certificate by submitting a self-attestation. It will be sufficient for the entrepreneur to obtain the above-mentioned permits within 6 months after 3 years. During this period, inspections by the relevant departments at industrial establishments have been waived.

The government has approved that the number of the Acknowledgement Certificate can be considered as the temporary building number of the institution during the period of the Certificate.

4.1.2.3 Renewal and compliance

Kerala's K-SWIFT (Kerala Single Window Interface for Fast and Transparent Clearances) plays a major role not only in issuing licences and approvals but also in managing their renewal and ongoing compliance for nano, micro, and small enterprises.

- Once a nano business receives its initial approvals such as Trade Licence, D&O Licence, Pollution Control Board consents (CTE/CTO), Fire NOC, Factory-related approvals, or Professional Tax registration, then this platform allows entrepreneurs to renew these approvals online without visiting multiple government offices.

- This renewal system ensures that licences remain valid, preventing penalties, disruptions, or legal violations that may occur due to expired approvals. Since nano units often operate with limited administrative resources, K-SWIFT helps in maintaining compliance with minimum effort.

- K-SWIFT provides automatic reminders and notifications on the entrepreneur's dashboard, alerting them about upcoming renewal dates for various licences. For example, Consent to Operate (CTO) issued by the Pollution Control Board typically needs renewal every 1–5 years depending on the category, and K-SWIFT helps business owners track this timeline. Similarly, local body licences issued through K-SWIFT such as D&O Licence or certain health-related approvals can be renewed online by submitting updated documents like rental agreements, sanitation photographs, or tax receipts. The platform also maintains a digital history of all licences, reducing paperwork and making verification easier for both the entrepreneur and inspecting authorities.
- Compliance through K-SWIFT also involves updating business information, such as changes in ownership, address, machinery, workforce, or business activity. Instead of filing applications with separate departments, the entrepreneur can update these details in one place, after which the information is shared with the relevant government bodies automatically. This prevents discrepancies in government records and helps maintain the business's legal standing. For environmental compliance, the system allows submission of periodic filings, waste management declarations, and renewal applications for PCB consents. Similarly, fire safety compliance can also be monitored and renewed through the platform for activities that require Fire NOC.
- Overall, K-SWIFT simplifies compliance by ensuring that nano enterprises remain legally updated, environmentally safe, and operationally approved at all times. It helps to reduces delays, eliminate the need for physical visits, enhances transparency, and ensures that businesses do not unintentionally violate regulations due to missed renewals. As the business grows, K-SWIFT acts as a single point for managing all regulatory responsibilities, making it a critical tool for long-term compliance in Kerala's business ecosystem.

4.1.3 Industry-specific requirements

Industry-specific requirements are additional licences, permits, and compliance rules that apply only to certain categories of businesses depending on the nature of their activities. These requirements go beyond the general approvals like Trade Licence, Shops & Establishments Act Registration, PAN, or Udyam Registration that all businesses must follow. Instead, they target sectors where risks to public health, environmental safety, hygiene, or consumer protection are higher such as food preparation, chemical use, machinery operations, waste generation, or close-contact services. For nano enterprises, which usually operate in compact workspaces with minimal staff, these industry-specific norms help ensure safe, hygienic, and responsible functioning. They also prevent potential hazards related to pollution, contamination, or unsafe products reaching consumers.

1. Requirements for Food-Based Nano Businesses

- Nano units involved in food preparation, handling, storage, and distribution such as tea shops, bakeries, catering units, home-made snack sellers, juice shops, and small restaurants must meet stringent food safety requirements.
- The most important licence is FSSAI Registration, which certifies that the business maintains basic hygiene and follows safe food-handling practices.
- Along with this, food units need a Sanitation Certificate from the local body to prove that the premises has proper waste disposal, ventilation, and cleanliness.
- Workers handling food must also hold Health Cards to ensure they do not have communicable diseases.
- Units using LPG cylinders, ovens, or heat-based cooking equipment require a Fire Safety NOC to ensure safe handling of fire risks. If the business packs or repacks food items like spices or snacks, a Legal Metrology Packers Licence becomes mandatory to ensure proper labelling and weight standards.

2. Requirements for Manufacturing and Processing Nano Units

Manufacturing or processing nano units like carpentry workshops, soap or detergent manufacturing, candle making, and small printing presses are subject to stricter industry-specific rules. These units typically fall under the Green Category of the Pollution Control Board due to emissions, heat, fumes, or waste. They must obtain Consent to Establish (CTE) before installation of machinery and Consent to Operate (CTO) once the unit is set up. These consents ensure that the unit has adequate ventilation, controlled noise levels, safe waste disposal methods, and minimal environmental impact. If machinery generates heat, spark, or smoke, a Fire Safety NOC is required. Units that package their manufactured goods for sale such as soaps, candles, or detergents also need Legal Metrology Registration to ensure compliant packaging and labelling practices.

3. Requirements for Beauty and Wellness Nano Units

Beauty and wellness nano units such as beauty parlours, hair salons, spas, and massage centres require hygiene-focused licences and certifications. A Sanitation Certificate from the local body is essential to ensure that the premises follow proper cleanliness standards, waste handling practices, and basic hygiene required for customer-facing services. These units must maintain strict sanitation procedures, such as sterilising tools, safe disposing of used blades, maintaining clean floors and equipment, and ensuring safe use of beauty chemicals. If these businesses sell packaged beauty products like creams or oils, they need packers license issued by Legal Metrology Department.

4. Requirements for Retail and Service-Based Nano Units

Retail and service-oriented nano businesses such as tailoring units, stationery shops, boutiques, mobile repair centres, computer service units, and gift shops have minimal industry-specific compliance requirements. Most of these units only need a Trade Licence and Shops & Establishments Registration because they do not pose significant environmental or health risks. However, if these businesses engage in repacking or relabelling products, such as cleaning liquids, small accessories, or cosmetics, they must obtain Legal Metrology Packers Registration.

Recap

- ◊ Trade license is issued by the relevant local body under which the business unit intents to operate.
- ◊ Trade license is the official permission to conduct commercial activities within a local body which may be Panchayat, Municipality, or Corporation.
- ◊ Trade license ensures that the chosen business activity is suitable for the location chosen and that it does not pose risks to public health or safety.
- ◊ The Kerala Shops & Commercial Establishments Act (1960) requires every shop, office, commercial outlet, service centre, small business, bakery, restaurant, boutique, showroom, or trading unit to register with the Labour Department soon after starting operations. It legally certifies that the business follows the labour, employment, and working-condition rules of the state.
- ◊ FSSAI is a mandatory certification that is required for all food-related businesses in India.
- ◊ FSSAI is issued by the Food Safety and Standards Authority of India (FSSAI). This license is thus mandatory for any nano business unit which is engaged in preparing, selling, storing, processing, or distributing food products.
- ◊ FSSAI offers three types of licences. They are Basic Registration, State License and National License.
- ◊ Packers license is issued by the Legal Metrology Department.
- ◊ Packers license is applicable to all those products that are packaged without the purchaser being present at the Fire of packaging and have a predetermined quantity.

◊ The Pollution Control Board (PCB) provides two types of consents. They are Consent to Establish (CTE) and Consent to Operate (CTO) .

◊ Consent to Establish is the permission given by the PCB to start setting up a new industrial, commercial, or food-processing unit.

◊ Consent to Operate is the final approval given by the PCB. It allows a business unit to start actual production or operation after the unit has been established.

◊ Fire Safety License is required for nano businesses that involve fire risks such as restaurants using LPG, bakeries with ovens, fabrication units using welding torches, shops storing flammable materials, or small industries using heat-based machines.

◊ Fire Safety License is issued by the Kerala Fire & Rescue Services Department.

◊ Permits refer to specific approval which are required for certain activities that involve health, safety, environment, or technical risks. It applies only to particular operations within the business that must meet strict standards.

◊ Any nano business unit whose workers handle food or work closely with customers must obtain health cards for employees.

◊ Sanitation certificate is issued by the Panchayat, Municipality, or Corporation's Health Department to ensure the premises is clean and hygienic.

◊ A building number and occupancy certificate are essential permits issued by the local body, allowing the building to be used for commercial activity.

◊ Certain nano businesses that generate waste like food units, salons, printing presses, carpentry units, and workshops may need a waste disposal permit or written approval from the local body's Health or Sanitation Department.

◊ In addition to the Fire NOC (a licence), some local bodies also issue a Fire Safety Fitness Certificate confirming that the unit maintains fire extinguishers, emergency access, and safe storage.

Objective Questions

1. Sanitation Certificate is issued by
2. The specific approvals which are required for certain activities that involve health, safety, environment, or technical risks are referred to as
3. Which license is a mandatory certification that is required for all food-related businesses in India?
4. FSSAI is issued by
5. Which are the three types of licenses by FSSAI ?

6. Packers license is issued by

7. PCB stands for .

8. Two types of consents given by Pollution Control Board

9. The permission given by the PCB to start setting up a new industrial, commercial, or food-processing unit is called

10. The permission given by PCB which allows a business unit to start actual production or operation after the unit has been established

Answers

1. Panchayat, Municipality, or Corporation's Health Department
2. Permits
3. FSSAI
4. Food Safety and Standards Authority of India (FSSAI).
5. Basic Registration, State License and National License.
6. Legal Metrology Department
7. Pollution Control Board
8. Consent to Establish (CTE) and Consent to Operate (CTO)
9. Consent to Establish (CTE)
10. Consent to Operate (CTO)

Self Assessment Questions

1. Discuss the various Licenses and Permits that are applicable to Nano Business Units.
2. Explain K –SWIFT
3. Explain Industry Specific Requirements

Assignments

1. In what ways can K-SWIFT improve regulatory transparency and reduce corruption in the licensing process? Provide reasoned arguments.
2. Evaluate how the K-SWIFT platform simplifies the application process for small entrepreneurs. What challenges might still remain?

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Unit 2 Compliance with Taxation Norms

Learning Outcomes

After completing this unit the learner will be able to:

◊ familiarise the different types of taxes applicable

◊ understand the benefits of tax compliance and benefits

Prerequisite

Liya began a small handmade soap studio at home and soon realised that understanding her tax obligations was essential for running a lawful business. She learned that she might need to pay GST if her sales crossed the threshold, file income tax on her profits, and manage professional tax if she hired any helpers. After registering and keeping proper bills, she discovered the benefits of tax compliance she could claim input tax credits, access MSME incentives, apply for small business loans, and avoid penalties or legal issues. Following tax rules not only protected her business but also increased customer confidence, helping her tiny soap business to grow steadily and responsibly. This unit discusess more about the types taxes applicable to Nano business and the benifits of tax complaince and incentives.

Keywords

GST, Income tax, Tax compliance , MSME, Incentives

Discussion

4.2.1 Understanding Tax Obligations

Nano businesses have simple but essential tax requirements. These include keeping basic financial records, maintaining bills and receipts, filing income tax based on profit, and registering for GST only if the turnover crosses the threshold.

Understanding these obligations early helps avoid confusion, ensures lawful operation, and allows the business to benefit from government incentives such as Udyam Registration benefits and bank loan schemes.

4.2.2 Types of taxes applicable

i. Income Tax

Income Tax applies to nano businesses that operate as Sole Proprietorships, Partnership Firms, or LLPs. In a sole proprietorship, business income is treated as the personal income of the owner and taxed according to individual income tax slabs, making taxation flexible and beneficial for very small units. A Partnership Firm is taxed separately from the partners and pays 30% flat income tax plus cess on its total profit, while partners are taxed individually on salary or interest received. LLPs are also taxed at a flat 30% rate, similar to partnership firms. Thus, Income Tax applies to all nano enterprises except those registered as companies.

ii. Corporate Tax

Corporate Tax is applicable only when a nano business chooses to register as a One Person Company (OPC). Unlike proprietorships or partnerships, these entities are considered separate legal persons, so they pay tax on their profits independently of the owner. Corporate tax rates for small domestic companies are generally 22% under the concessional tax regime (Section 115BAA) or 30% under the normal regime, with cess and surcharge as applicable. The owner of an OPC or company pays tax separately on any salary or dividends received. It means that the business and owner are taxed differently. Corporate tax therefore applies only to nano units that have chosen the company form for benefits like limited liability and higher credibility, even though it brings stricter compliance.

iii. Goods and Services Tax (GST)

GST registration is not compulsory for nano businesses. However, it becomes mandatory in the following situations:

i. GST registration becomes compulsory for a nano business selling goods when its annual turnover exceeds ₹40 lakh. For service-based nano businesses, GST registration becomes mandatory when turnover exceeds ₹20 lakh.

ii. When a nano business unit supplies goods or services across state borders,

iii. When a nano business unit sells products online through e-commerce platforms such as Amazon, Flipkart, or Meesho, or through supermarkets

In such cases, even a nano unit with very low sales must register for GST to legally operate. Thus, while turnover-based exemption protects most nano businesses from the burden of GST, activity-based rules make GST mandatory for units involved in online selling, interstate supply, or branded packaged goods.

However, once the nano unit registers for GST, it must charge GST on sales, file returns regularly, and maintain proper invoices, even if the business is very small.

4.2.3 Benefits of tax compliance and incentives

1. Eligibility for Government Schemes and Subsidies

Tax compliance allows nano enterprises to become eligible for a wide range of government schemes, subsidies, and financial support programmes. When a nano unit regularly files income tax returns and maintains proper financial records, it can easily apply for MSME-related benefits such as Udyam-based subsidies, PMEGP loans, interest subvention schemes, credit guarantee schemes, and other state-level incentives offered by the Government of Kerala. These schemes often require proof of income, business activity, and tax compliance, making it essential for nano units to maintain a proper tax record. Through compliance, even home-based or very small units can access formal government support that would otherwise remain unavailable.

2. Improved Access to Bank Loans and Formal Credit

In order to evaluate the credibility of small enterprises banks and financial institutions depend heavily on tax returns and GST filings (if applicable). When a nano business complies with tax laws, it builds a financial track record that banks consider reliable while approving loans. This increases the chances of obtaining working capital loans, term loans, overdraft facilities, and microcredit schemes.

3. Protection Under MSME Laws Through Udyam Registration

Nano businesses which are tax compliant are better positioned to obtain Udyam Registration which offers many legal protections and incentives under the MSME Development Act. Udyam-registered nano businesses gain important rights such as statutory protection against delayed payments from buyers, access to MSME Facilitation Councils for dispute resolution, priority lending from banks, and eligibility for government procurement reservations.

4. Avoidance of Penalties, Fines, and Legal Issues

One of the important benefits of tax compliance is the avoidance of penalties, interest charges, and legal notices from tax authorities. For nano businesses operating with limited financial resources, even small penalties can become burdensome. Hence, timely filing of income tax returns, proper maintenance of records, and adherence to professional tax or GST requirements prevent unnecessary legal complications. This protects the entrepreneur from compliance failures that might lead to business interruptions or financial strain. Maintaining clean and timely tax records creates a stable and stress-free operational environment, allowing the entrepreneur to focus on business growth rather than compliance problems.

5. Enhanced Business Credibility and Transparency

A tax-compliant nano business will appear to be more trustworthy and professional to customers, suppliers, wholesalers, digital platforms, and even landlords. When the business maintains proper bills, receipts, and financial records, it shows transparency and reliability. Suppliers may be more willing to offer credit, customers may feel more confident purchasing from the business, and online marketplaces often require proof of tax registration.

6. Simplified Financial Management and Better Record-Keeping

Regular tax compliance encourages nano businesses to maintain basic accounting practices, such as keeping track of income, expenses, purchases, and inventory. This improves financial clarity, helps calculate profit accurately, and supports better decision-making. For nano entrepreneurs who often manage finances informally or on a day-to-day basis, tax compliance creates a discipline that helps control costs, plan investments, and monitor business performance. Over time, this improves operational efficiency and helps the business grow sustainably with clear financial direction.

Recap

1. Income Tax applies to nano businesses that operate as Sole Proprietorships, Partnership Firms, or LLPs.
2. Corporate Tax is applicable only when a nano business chooses to register as a One Person Company (OPC).
3. GST registration is not compulsory for nano businesses.
4. GST registration becomes compulsory for a nano business (i) when its annual turnover exceeds ₹40 lakh. For service-based nano businesses, GST registration becomes mandatory when turnover exceeds ₹20 lakh (ii) when a nano business unit supplies goods or services across state borders, (iii) When a nano business unit sells products online through e-commerce platforms

Objective Questions

1. GST registration becomes compulsory for a nano business selling goods when annual turnover exceeds
2. For service-based nano businesses, GST registration becomes mandatory when turnover exceeds
3. Mention any two benefits of tax compliance

Answers

1. ₹40 lakh
2. ₹20 lakh
3. Eligibility for Government Schemes and Subsidies, Improved Access to Bank Loans and Formal Credit

Self Assessment Questions

1. Explain the benefits of tax compliance and incentives
2. Explain the applicability of GST to nano business

Assignments

1. Critically examine whether mandatory GST registration for e-commerce sellers is fair for nano businesses with low turnover. Provide arguments for and against.
2. To what extent do tax incentives and MSME benefits (such as Udyam Registration, delayed payment protection) encourage nano businesses to enter the formal tax system?
3. How does the legal structure of a nano business (proprietorship, partnership, LLP, OPC) influence its tax liability and overall compliance burden? Explain with examples.

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BLOCK 5

Case Study of Nano Entrepreneurship

Unit 1

Case Study of Nano Entrepreneurship

Learning Outcomes

After completing this unit, the learner will be able to:

- ◊ identify different types of nano enterprises operating in the local area.
- ◊ understand registration, licensing, and permit requirements applicable to nano businesses.
- ◊ compare legal procedures across different organisational forms such as proprietorships, partnerships, and SHGs.
- ◊ analyse compliance challenges faced by nano entrepreneurs.
- ◊ prepare a structured, evidence-based case study report.

Discussion

5.1.1 Introduction

This unit is designed as a field-based experiential learning unit that enables learners to apply theoretical concepts of nano entrepreneurship learned throughout the course in real-world settings. Nano enterprises play a critical role in employment generation, local economic development, and inclusive growth, especially in developing economies like India. By directly interacting with nano entrepreneurs, learners gain first-hand exposure to operational realities, regulatory compliance, and organisational structures at the grassroots level.

This unit encourages learning by observation, interaction, documentation, and analysis, thereby strengthening entrepreneurial awareness, analytical ability, and practical research skills.

5.1.2 Activity

5.1.2.1 Task Description

Learners are required to:

i. Visit five (5) nano enterprises in their nearby location

ii. Investigate and document:

   - Registration status
   - Licensing and permit requirements
   - Compliance with local laws
   - Impact of organisational form on legal procedures

iii. Prepare a detailed analytical report based on findings

5.1.2.2 Step-by-Step Guidelines for Learners

Step 1: Identification of Nano Enterprises

Learners should select five nano enterprises, ensuring diversity. Preferably include:

i. Different business activities (manufacturing, service, trading)

ii. Different organisational forms (sole proprietorship, partnership, SHG, informal business)

Tip: Select enterprises that are willing to cooperate and share information.

Step 2: Preliminary Preparation

Before field visits, learners should:

i. Review basic concepts of:

a. Business registration

b. Local body licensing

c. GST (if applicable)

d. MSME/Udyam registration

ii. Prepare a simple interview checklist covering legal and organisational aspects.

Step 3: Field Visit and Data Collection

During each visit, learners should politely interact with the entrepreneur and collect the following information:

A. General Business Information

a. Name of the enterprise (optional if confidentiality requested)

b. Nature of business activity

c. Year of establishment

d. Number of workers employed

B. Legal Requirements Investigation

Learners should enquire about:

i. Business Registration
(e.g., Proprietorship registration, Udyam Registration)

ii. Licenses and Permits, such as:

a. Local Panchayat/Municipality trade license

b. Food Safety License (FSSAI) for food businesses

c. Shop and Establishment registration

iii. Tax-related compliance (GST registration, if applicable)

C. Organisational Form

i. Type of organisation:

a. Sole proprietorship

b. Partnership

c. Self-Help Group (SHG)

d. Cooperative or informal structure

ii. Reasons for choosing the specific form

D. Variation in Procedures

a. Whether legal procedures differ based on organisational form

b. Ease or difficulty in registration and compliance

c. Time and cost involved in obtaining licenses

Step 4: Observation and Documentation

Learners should maintain a field diary to note:

a. Observations about awareness of legal compliance

b. Challenges faced by nano entrepreneurs

c. Support received from government agencies or NGOs

Photographs may be taken only with consent and used strictly for academic purposes.

Step 5: Comparative Analysis

After completing all visits, learners should:

i. Compare legal requirements across the five enterprises

ii. Identify patterns such as:

- Higher compliance among registered units
- Informal nature of home-based enterprises

iii. Analyse how organisational form influences legal obligations

5.1.3 Report Preparation Guidelines

5.1.3.1 Structure of the Report

The report should be prepared in the following format:

1. **Title Page**
   (Course Name, Block & Unit, Student Name, Register Number)
2. **Introduction**
   Importance of nano entrepreneurship and purpose of the study
3. **Methodology**
   Selection of enterprises, data collection methods, and limitations
4. **Profile of Selected Nano Enterprises**
   Brief description of each enterprise
5. **Legal Requirements Analysis**
   Registration, licensing, and permits
6. **Organisational Form and Legal Variation**
   Comparative discussion
7. **Key Findings and Observations**
8. **Challenges Faced by Nano Entrepreneurs**
9. **Conclusion**
   Learning outcomes and practical insights gained
10. **Annexure (Optional)**
    Interview checklist, photographs, consent notes

5.1.3.2 Evaluation Criteria (Indicative)

Learners will be assessed based on:

i. Relevance and diversity of selected enterprises

ii. Depth of investigation and accuracy of information

iii. Analytical comparison and interpretation

iv. Clarity, structure, and originality of the report

v. Evidence of field engagement and practical learning

5.1.3.3 Ethical Guidelines for Learners

i. Maintain confidentiality of sensitive business information

ii. Do not force entrepreneurs to disclose financial details

iii. Use collected data strictly for academic purposes

iv. Show respect and professionalism during field visits

Concluding Note

This unit serves as a capstone practical unit that integrates conceptual understanding with field-level realities. Through this case study approach, learners develop critical thinking, documentation skills, and a grounded understanding of nano entrepreneurship in the local economic context.

Unit 2 Role of SHGs in Nano Entrepreneurship Practical Manual for Learners

Learning Outcomes

After completing this block, the learner will be able to:

- ◊ understand the role of Kudumbashree in promoting nano entrepreneurship in Kerala
- ◊ explain how Self Help Groups (SHGs) stimulate women entrepreneurship
- ◊ conduct a field-based case study of a Kudumbashree nano enterprise
- ◊ analyse business aspects such as strategy, funding, operations, and profit-sharing
- ◊ identify the feasibility and marketing gaps of a nano business in the learner's locality
- ◊ prepare a simple and practical business plan for implementing a nano enterprise

Discussion

5.2.1. Introduction to the Block

This unit is the practical culmination of the course "Formation of Nano Business". This block is designed to help learners apply the concepts studied in earlier blocks, such as idea identification, legal aspects, finance, marketing, and operations, to a real-life nano enterprise. The focus is on Kudumbashree, Kerala's flagship women-centric poverty eradication and entrepreneurship mission.

Through field-based learning, case analysis, and business planning, learners will understand how nano enterprises operate at the grassroots level and how collective efforts like Self Help Groups (SHGs) promote sustainable women entrepreneurship.

5.2.1.1 Understanding Kudumbashree and Nano Entrepreneurship

Kudumbashree, the State Poverty Eradication Mission of the Government of Kerala, plays a pivotal role in promoting nano entrepreneurship, particularly among women from economically and socially marginalised sections. Launched in 1998, Kudumbashree has evolved into one of the largest women-based community networks in the country, focusing on both economic empowerment and social development. Its approach to nano entrepreneurship is rooted in collective effort, local resource utilisation, and sustainability.

One of the primary ways Kudumbashree promotes nano entrepreneurship is through the formation of Neighbourhood Groups (NHGs). These are small, informal groups of women at the grassroots level who meet regularly to discuss savings, credit, and livelihood opportunities. NHGs act as the foundation for micro and nano enterprises by encouraging collective decision-making, mutual trust, and shared responsibility. Through this structure, women who may not individually have the confidence or resources to start a business are able to participate in entrepreneurial activities as a group.

Kudumbashree places strong emphasis on skill training and capacity building. Women members receive training in both technical and managerial aspects of business, such as production skills, quality control, bookkeeping, pricing, and customer handling. Training programmes are conducted in collaboration with government departments, Industrial Training Institutes (ITIs), NGOs, and expert agencies. In addition to technical skills, Kudumbashree also focuses on developing soft skills like leadership, communication, and teamwork, which are essential for running collective enterprises effectively.

Another significant contribution of Kudumbashree is financial support. Nano enterprises are supported through revolving funds, which provide initial working capital without heavy collateral requirements. Kudumbashree also facilitates bank linkage programmes, enabling SHGs to access institutional credit at affordable interest rates. Further, enterprises benefit from convergence with various government schemes, subsidies, and grants related to self-employment, women entrepreneurship, and rural development. This financial ecosystem reduces entry barriers and encourages women to take entrepreneurial risks.

Kudumbashree also offers extensive marketing support, which is often a major challenge for nano enterprises. It organises local and state-level fairs, exhibitions, and trade meets, providing platforms for SHGs to showcase and sell their products. Kudumbashree-run outlets, weekly markets, and partnerships with government institutions enable institutional sales of food products, uniforms, cleaning materials, and other goods. In recent years, efforts have also been made to promote branding, packaging, and digital marketing, helping nano enterprises reach wider markets.

Beyond financial and technical assistance, Kudumbashree ensures continuous mentoring, monitoring, and social support. Field-level coordinators and Community Development Societies (CDSs) regularly review enterprise performance, resolve operational issues, and provide guidance for improvement. This ongoing support system helps enterprises survive initial challenges, adapt to market changes, and remain sustainable over time. Equally important is the social empowerment achieved through Kudumbashree, as women gain confidence, bargaining power, and recognition within their families and communities.

Kudumbashree-supported nano enterprises typically operate with low capital investment, rely on locally available resources, and follow a model of collective ownership and profit-sharing. These characteristics make them highly suitable for rural and semi-urban areas, where employment opportunities are limited. By combining economic activity with social inclusion, Kudumbashree has successfully transformed nano entrepreneurship into a powerful tool for poverty alleviation and women's empowerment in Kerala.

5.2.2 Activity 1: Preparing a Case Study on a Kudumbashree Nano Enterprise

Activity to be Performed by the Learner

The learner must prepare a detailed case study of a nano enterprise established under Kudumbashree in their nearby locality.

Examples of nano enterprises include:

i. Catering or food processing units

ii. Tailoring or garment units

iii. Soap, candle, or cleaning product units

iv. Dairy, poultry, or vegetable cultivation units

v. Coir, handicraft, or paper bag units

Guidance for Performing the Activity

Step 1: Identification of the Enterprise

a. Identify one Kudumbashree-supported nano enterprise operating in your locality

b. Ensure that it is run by a women SHG or NHG

c. Collect basic details: name of the unit, year of establishment, location, and type of activity

Step 2: Data Collection Methods

Use the following methods:

a. Personal interview with SHG members or unit secretary

b. Observation of the production or service process

c. Review of available records (sales register, savings book, etc.)

Prepare a short questionnaire covering business aspects.

5.2.3 Activity 2: Evaluation of the Nano Enterprise

Evaluate the selected Kudumbashree nano enterprise under the following headings.

5.2.3.1 Guidance for Performing the Evaluation

1. Business Strategy

Analyse:

a. Nature of product or service

b. Target customers (local households, institutions, markets)

c. Pricing strategy

d. Competitive advantage (quality, trust, local presence)

2. Funding Pattern

Examine:

a. Initial capital investment

b. Sources of finance (member contribution, bank loan, Kudumbashree support, subsidy)

c. Repayment structure, if loan is taken

3. Operational Structure

Study:

a. Number of members involved

b. Division of work among members

c. Procurement of raw materials

d. Production process and technology used

e. Daily or monthly output

Profit-Sharing Mechanism

Analyse:

a. How profits are calculated

b. Distribution of profit among members

c. Amount retained for savings or reinvestment

d. Transparency and collective decision-making

5.2.4 Activity 3: Feasibility Analysis and Identification of Marketing Gaps

Activity to be Performed by the Learner

Based on the evaluation, the learner must:

a. Assess whether the same business is feasible in their own locality, OR

b. Identify marketing gaps or challenges faced by the existing enterprise

5.2.4.1 Guidance for Performing the Activity

1. Feasibility Analysis

Consider:

a. Availability of raw materials

b. Local demand for the product/service

c. Availability of women willing to form SHGs

d. Competition in the locality

e. Expected costs and returns

2. Identification of Marketing Gaps

Identify issues such as:

a. Limited market reach

b. Lack of branding or packaging

c. Dependence on local markets only

d. Irregular orders or seasonal demand

e. Limited use of digital marketing or institutional sales

5.2.5 Activity 4: Preparation of a Business Plan and Implementation Strategy

Activity to be Performed by the Learner

Prepare a **simple business plan** for starting or improving a nano enterprise based on the case study findings.

Guidance for Preparing the Business Plan

The business plan should include the following sections:

1. Business Idea

a. Nature of the nano enterprise

b. Objectives of the business

c. Social and economic benefits

2. Market Analysis

a. Target customers

b. Demand estimation

c. Competitors in the locality

3. Operational Plan

a. Location of the unit

b. Raw materials and suppliers

c. Production process

d. Human resources (number of members)

4. Financial Plan (Indicative)

a. Initial investment

b. Expected monthly expenses

c. Expected monthly income

d. Break-even idea (simple estimation)

5. Marketing Strategy

a. Pricing

b. Distribution channels

c. Promotion methods (local publicity, social media, Kudumbashree networks)

6. Implementation Strategy

a. Steps to form SHG/NHG

b. Registration and approvals

c. Training requirements

d. Timeline for starting operations

5.2.6 Format of Submission

The practical manual submission should include:

a. Introduction to Kudumbashree and SHGs

b. Case study of the selected nano enterprise

c. Evaluation of strategy, funding, operations, and profit-sharing

d. Feasibility analysis or marketing gap identification

e. Proposed business plan and implementation strategy

The report may be handwritten or typed, as instructed by the institution, and should reflect original fieldwork and analysis.

Conclusion

This practical unit enables learners to bridge theory and practice by engaging directly with real-life nano enterprises. By studying Kudumbashree-supported initiatives, learners gain valuable insights into grassroots entrepreneurship, women's empowerment, and sustainable business models. The exercise also prepares learners to design and implement nano business ideas relevant to their own communities.

MODEL QUESTION PAPER SETS

SREENARAYANAGURU OPEN UNIVERSITY

MODEL QUESTION PAPER

QP CODE:........ SET – 01 Reg. No:….......

Name:…….......

FOURTH SEMESTER BA NANO ENTREPRENEURSHIP EXAMINATION

DISCIPLINE CORE COURSE - 4

B23NE04DC FORMATION OF NANO BUSINESS

(CBCS - UG)

2024-25 - Admission Onward

Time: 3 Hours Max Marks: 70

Section A

(Answer any 10. Each carries 1 mark)

(10×1= 10)

1. What do you mean by Consent to Establish?
2. What is FSSAI License?
3. What is K -SWIFT?
4. Define Partnership.
5. What do you mean by License?
6. Mention any two internal sources of finance for nano businesses
7. What is occupancy certificate?
8. What do you mean by LLP?
9. What is PCB?
10. What is Market Selection?
11. Mention any two features of Sole proprietorship
12. What is Fire NOC?
13. Mention any two features of One person company

14. What is LLC?

15. What do you mean by One -Person Company?

16. Which are the different types of FSSAI Licenses?

Section B

(Answer any 5. Each carries 2 marks)

(5×2=10)

17. What is Packers License ?

18. What do you mean by Channel Selection?

19. Explain any two differences between License and Permit.

20. What is K –SWIFT Acknowledgement Certificate?

21. What do you mean by Product Launching?

22. What do you mean by Business Plan?

23. What is Human Resource Mobilisation?

24. What do you mean Gig Economy?

25. What do you mean by customer validation?

Section C

(Answer any 4. Each carries 5 marks)

(4 x 5 = 20)

26. Explain the different Permits.

27. What do you mean by Market Selection and explain its significance in a nano business.

28. Explain the features of One Person Company

29. Explain the decision making factors in choosing a business structure.

30. Briefly explain the benefits of tax compliance and incentives.

31. Explain the advantages of Partnership.

32. Which are the different hiring methods that can be employed by nano businesses?

33. What do you mean by Lean Canvas?

34. What do you mean by Operations Planning? Discuss its significance in a nano business.

Section D

(Answer any 2. Each carries 15 marks)

(2 x 15 = 30)

35. Explain any five home based nano business ideas.

36. What do you mean by Business Model Canvas? Explain its various components.

37. Discuss the necessary documentation required for registering a nano business.

38. Briefly explain the different sources of finance for nano entrepreneurs.

SREENARAYANAGURU OPEN UNIVERSITY

MODEL QUESTION PAPER

QP CODE:........ SET – 02 Reg. No:….......

Name:…….......

FOURTH SEMESTER BA NANO ENTREPRENEURSHIP EXAMINATION

DISCIPLINE CORE COURSE – 2

B23NE04DC FORMATION OF NANO BUSINESS

(CBCS - UG)

2024-25 - Admission Onwards

Time: 3 Hours Max Marks: 70

Section A

(Answer any 10. Each carries 1 mark)

(10×1= 10)

1. What do you mean by Consent to Operate?
2. What is Udyam?
3. What do you mean by nano business?
4. What do you mean by Permit?
5. What is One Person Company?
6. What do you mean by Sole Proprietorship?
7. Who are Freelancers?
8. What do you mean by GST?
9. What do you mean by Finance Mobilisation?
10. Explain the term Lean Thinking.
11. Mention any two external sources of finance for nano businesses.
12. What is Channel Selection?
13. Define Business plan.

14. Write any two features of LLP.
15. Mention any two hiring methods that could be employed by Nano Businesses.
16. What is MSME?

Section B

(Answer any 5. Each carries 2 marks)

(5×2=10)

17. What is a Trade License?
18. What do you mean by Minimum Viable Product?
19. What is organic farming?
20. What do you mean by Operations Planning?
21. What do you mean by business objectives?
22. Differentiate between License and Permit.
23. What is Content Monetisation Business?
24. What is Business Planning Process?
25. What is Business Model Canvas?

Section C

(Answer any 4. Each carries 5 marks)

(4 x 5 = 20)

26. Explain the feature of LLP
27. Explain the industry specific requirements for Manufacturing and Processing Nano Units.
28. Explain the various industry specific requirements applicable to food based nano businesses
29. Explain the applicability of GST to nano businesses.
30. Explain the disadvantages of Sole Proprietorship.
31. Explain the various steps involved in the Product Launching for a Nano Business
32. Briefly explain the impact of environmental laws on nano enterprises.

33. Distinguish between White category and green Category nano busineses.

34. Discuss any five emerging nano business ideas.

Section D

(Answer any 2. Each carries 15 marks)

(2 x 15 = 30)

35. Briefly explain nano business ideas in the Tourism Sector.

36. What do you mean by Business Plan? Briefly explain the contents of a business plan.

37. Discuss the various steps for registering a nano entrepreneurship.

38. What do you mean by Human Resource Mobilisation? Explain the various steps for mobilising human resource in nano business.

സർവ്വകലാശാലാഗീതം

വിദ്യയാൽ സ്വതന്ത്രരാകണം
വിശ്വപൗരരായി മാറണം
ഗ്രഹപ്രസാദമായ് വിളങ്ങണം
ഗുരുപ്രകാശമേ നയിക്കണേ

കൂരിരുട്ടിൽ നിന്നു ഞങ്ങളെ
സൂര്യവീഥിയിൽ തെളിക്കണം
സ്നേഹദീപ്തിയായ് വിളങ്ങണം
നീതിവൈജയന്തി പാറണം

ശാസ്ത്രവ്യാപ്തിയെന്നുമേകണം
ജാതിഭേദമാകെ മാറണം
ബോധരശ്മിയിൽ തിളങ്ങുവാൻ
ജ്ഞാനകേന്ദ്രമേ ജ്വലിക്കണേ

കുരീപ്പുഴ ശ്രീകുമാർ

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DON'T LET IT BE TOO LATE

SAY NO TO DRUGS

LOVE YOURSELF AND ALWAYS BE HEALTHY

SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

Formation of Nano Business

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