

Entrepreneurship

Accommodation and utilities; Preliminary contracts with the vendors, suppliers, bankers, principal customers

BY

DR. SANTOSH KUMAR LAL

DEPT. OF COMMERCE

SARIYA COLLEGE, SURIYA

Accommodation and Utilities

Meaning

Accommodation and utilities refer to the physical facilities and essential services required to start and operate a business enterprise smoothly. Proper accommodation and reliable utilities are critical for efficient production, administration, and service delivery.

Accommodation

Meaning of Accommodation

Accommodation refers to the **place or premises** where the business activities are carried out. It may be owned, rented, or leased by the entrepreneur.

Types of Accommodation

1. Owned Premises

- Purchased or constructed by the entrepreneur
- Requires heavy initial investment
- Suitable for large or permanent businesses

2. Rented Premises

- Taken on monthly or annual rent
- Flexible and low initial cost
- Common for small and medium enterprises

3. Leased Premises

- Taken for a long period (5–30 years)
- Rent is fixed for a long duration
- Suitable for factories and warehouses

4. Industrial Estates / Business Parks

Developed by government or private agencies

Provide ready-made infrastructure

Often offered at concessional rates to startups

Factors Affecting Choice of Accommodation

- Nature of business (manufacturing, trading, service)
- Availability of raw materials
- Proximity to market and customers
- Availability of labour
- Transport and communication facilities
- Cost of land and buildings
- Government rules and zoning regulations

Importance of Proper Accommodation

- Smooth business operations
- Safety of employees and machinery
- Reduction in transportation cost
- Better customer accessibility
- Scope for future expansion

Utilities

Meaning of Utilities

Utilities are **essential services** required for daily business operations.

Types of Utilities

1. Electricity

- Required for machinery, lighting, computers
- Reliable power supply is essential

2. Water

- Required for production, cleaning, cooling
- Essential for manufacturing and service units

3. Fuel and Gas

- Used in boilers, generators, kitchens, furnaces

4. Communication Facilities

- Telephone, mobile, internet
- Important for coordination and marketing

5. Transportation

- Road, rail, ports
- Required for movement of raw materials and finished goods

6. Waste Disposal and Sanitation

- Important for environmental compliance
- 

Importance of Utilities

- Ensure uninterrupted production
- Improve productivity
- Maintain quality standards
- Ensure compliance with legal requirements
- Enhance overall efficiency

Preliminary Contracts

Meaning

Preliminary contracts are agreements entered into by an entrepreneur **before the business is formally established**. These contracts ensure availability of resources and financial support.

Parties Involved in Preliminary Contracts

1. Vendors (sellers of assets)
2. Suppliers (raw material providers)
3. Bankers (financial institutions)
4. Principal customers

Preliminary Contracts with Vendors

Meaning

Vendors are persons or firms from whom the entrepreneur purchases **land, building, machinery, or equipment**.

Purpose

- => To ensure availability of essential assets
- => To fix prices and delivery schedules

Important Points

- => Contract should specify quality and price
- => Ownership transfer conditions must be clear
- => Payment terms should be defined

Preliminary Contracts with Suppliers

Meaning

Suppliers provide **raw materials, components, or services** needed for production.

Importance

- => Continuous supply of raw materials
- => Avoid production delays
- => Ensure quality consistency

Key Terms

- => Quantity and quality specifications
- => Delivery schedule
- => Credit period
- => Penalty for delay

Preliminary Contracts with Bankers

Meaning

These contracts are made with banks or financial institutions for **loans, overdrafts, or working capital**.

Importance

- => Availability of finance at the right time
- => Helps in purchasing assets and raw materials
- => Builds financial credibility

Types of Financial Assistance

1. Term loans
2. Cash credit
3. Overdraft facility
4. Letter of credit

Preliminary Contracts with Principal Customers

Meaning

These contracts are made with major customers who agree to purchase goods or services after production begins.

Importance

- => Assured market for products
- => Reduces marketing risk
- => Helps in production planning

Key Features

- => Quantity and price agreement
- => Delivery schedule
- => Payment terms
- => Quality standards

Advantages of Preliminary Contracts

1. Reduce uncertainty and risk
2. Ensure timely availability of resources
3. Improve business planning
4. Increase confidence of investors and bankers
5. Provide market assurance

Conclusion

Accommodation, utilities, and preliminary contracts play a vital role in the **successful establishment of an enterprise**. Proper planning in these areas reduces operational problems and increases the chances of entrepreneurial success.