

Meaning of Sole Proprietorship:

- This form of organisation is the oldest and functioning from times immemorial in one form or the other. This is a 'one man business' in which an individual produces independently with his own capital and assumes all the risk of ownership.
- In other words, a business owned or controlled by one man with or without the help of family members or few employees, that is also known as individual proprietorship or individual entrepreneurship.

. Sole Management:

The sole trader manages the whole business himself. He prepares the plans and executes them under his own supervision. He is not required to consult anyone else in taking decisions. The ultimate authority to manage and control rests with the proprietor.

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5. Secrecy:

It is also an important characteristic of sole proprietorship. All the decisions are taken by the proprietor himself. He is in a position to keep his affairs to himself and maintain perfect secrecy in all matters.

6. Freedom regarding Selection of Business:

A sole trader is at freedom to select any business of his choice. He has not to depend on others.

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7. Proprietor and Proprietorship are One:

It is a fact that the sole trader and his business are not separate entities. Loss in the business is his loss. Liabilities in the business are his liabilities. He bears all the risks and is the master of all the profits.

Scope and Prospects of Sole Proprietorship:

In the modern business world the scope of sole proprietorship is very limited.

The sole proprietorship form of organisation is more suitable in following cases:

1. The business in which small amount of capital is required.
2. Where the risk involved is not much.

The main advantages of sole tradership are discussed as follows:

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1. Ease in Formation:

Sole proprietorship is the only form of organisation which is easy to form and simple to run. No legal formalities are required to be faced by such as registration, etc. He may, however, obtain licence where required under government rules such as opening of restaurants.

2. Perfect Control:

As the sole proprietor is himself the master of the business he maintains a perfect control. He takes his own decisions and is to face the consequence. As the employees are very few he maintains personal contact with them and creates a team work. The golden rule of capitalism is 'where the risk lies, control must lie'. There is no wastage because of his perfect control.

3. Flexibility in Operations:

As he is the sole master he is in a position to introduce any change he considers necessary. Hence, there is a great deal of flexibility in the policy making of this type of organisation.

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The proprietor takes a personal interest in the business as all the profits are his own. He is keen to run the business efficiently and economically because the success of business is his own success and failure is his own failure. The direct relationship between the efforts and reward acts as a great stimulus for working hard and making the enterprise successful.

5. Maintenance of Secrecy:

Secrecy, is of great importance for the success of a small business and being a sole trader, he is in a position to keep all his affairs to himself and maintain perfect secrecy in all matters.

6. Prompt Decision:

As he himself is to consider the problem and to give decisions. He takes prompt decisions which promote efficiency. Being the sole master, he takes prompt decision and makes advantage of the opportunity. Since his decisions are not to be challenged by anyone, he does not hesitate to take decisions.

7. Catering for Individual Tastes:

As a sole proprietor, he is in a position to have close contacts with his customers and can cater for the customers' tastes. This helps him to build goodwill which naturally results in the flourishing of business. The individual owner flourishes in all enterprises where the personal element is important.

8. Minimum Government Regulations:

The activities of the sole trader are regulated by government and law to the minimum extent. In fact, his right and obligations are the same as of any other citizen, except that he is to pay income-tax and sales tax, there is hardly any other interference of law in his affairs. The formation and dissolution of the business is not subject to any law or regulation in this form of organisation.

9. Easy to Raise Finance:

A sole proprietor is able to create goodwill for his business. This helps him to establish his creditworthiness in the market. And being his liability unlimited the creditors can have a claim on his private property also. The creditors feel secure in extending credit to the sole proprietors.

10. Social Advantages:

By doing small business, he is rendering service to the society and at the same time maintaining independent way of life.