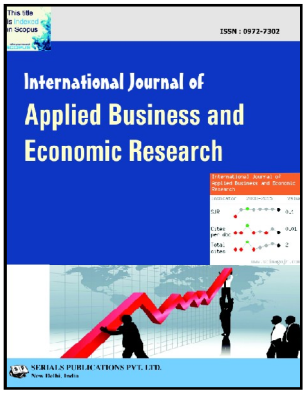

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Auditing "Business Models" for Revolutionising - Make in India Start-UPS

CA. Abhijit V. Chirputkar[1], CA. Prasanna Kulkarni[2] and Chintan Vadgama[3]

[1] *Assistant Professor, Symbiosis Institute of Telecom Management, Constituent of Symbiosis International University, Pune, India, E-mail: dydirector@sitm.ac.in*

[2] *Associate Professor, Symbiosis Institute of Telecom Management, Constituent of Symbiosis International University, Pune, India, pkulkarni@sitm.ac.in*

[3] *Assistant Professor, Symbiosis Institute of Telecom Management, Constituent of Symbiosis International University, Pune, India, cvadgama@sitm.ac.in*

Abstract*: *Background: Today, businesses are operating in a complex world which consists of changing technology, cross-country differences in political–economic situations, government policies and regulations, etc. The business environment has become very dynamic and its impact on companies could be enormous. Various such challenges impact their operational choices and strategic decisions.

Audit is normally perceived as verification and assurance related to accounting processes. As per the Cadbury report, 'The annual audit is one of the cornerstones of corporate governance'. However, according to latest trends, the concept of audit can also be applied in various functional as well as specific areas based on management needs. The audit profession has widened the scope of "audit" and it is no longer applied only to the areas related to accounting. Auditing business models is an area where experts will assure top management about their sustainability and adaptability to meet defined objectives. The business modelling process helps one to understand the relationships between variables and likely outcomes. The audit process will help top management innovation in business models to achieve its objectives. The audit process will assist the company in understanding the areas where they need to innovate, such as marketing, technology, finance etc. Post liberalisation, Indian companies have taken their businesses to other countries, and to survive in global competition, companies must have a robust business model which is reviewed constantly for further changes and improvement in strategies.

Objective: There is a lot of uncertainty in the business environment, and it leads to the importance of flexibility, adaptability and agility in the design of a business model. Today, most of the companies prepare and continuously adapt their business models for effective management of the contemporary businesses in the extremely dynamic global environment. We propose to develop a conceptual framework for audit of business models for new start-ups.

Methodology: This paper evaluates the concept of auditing of business models and its relevance in the market, with the help of relevant case studies. We aim to study the existing practices to audit business models, construct a conceptual model.

Limitations: Although the concept applies to all types of companies and industries, since it is a recent phenomenon, the relevant information is not available to construct an empirical model.

Key Words: Audit, Business Model, Global competition, Strategy.

1. INTRODUCTION

Indian economy has witnessed various policy changes which have positive impact on economy. The process which started in 1992 in the form of liberalisation and globalisation has showed remarkable impact on Indian economy. In continuation to this, Government has declared a new initiative to boost entrepreneurship. Government has taken initiatives and regulatory reforms to help ease in doing business. The decision was to create an eco-system which will help in entrepreneurship (Start-Up India Action Plan). The plan has 19-point action list which includes self-certification based compliance to reduce regulatory pressures on start-up, a faster exit mechanism, income tax exemptions, easier norms related to IPR, a corpus fund worth INR 100-billion to registered VC funds, setting up of incubation and R&D centres across the country among others.

The Action Plan has *defined "start-up"* as an entity, incorporated or registered in India for not more than five years, with an annual turnover not exceeding INR 250 million in any preceding financial year, and working towards innovation, development, deployment or commercialization of new or significantly improved products, processes or services driven by technology or intellectual property that will create or add value for customers or workflow. Start-up should not be formed by splitting up or reconstruction of an existing business.

Micro, Small & Medium Enterprise have been the engines of economic growth and sustainable development contributing to a large extent in the Indian economy and now a major role to play in 'Make in India' as well as "Skill India" initiative. The prudent use of skilled labour would help India becoming a strong economy. The MSME has emerged as a vibrant sector consisting of 36 million units, as of January 2016, provides employment to over 80 million people. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. (MSME at a Glance, January 2016). Till September 2016, 1010 applications were received by DIPP for start-up under above plan and out of which 327 have been approved.

Micro, Small & medium Enterprises come under the purview of MSMED Act, 2006 and are defined based upon their capital outlay in plant and machinery for those industries which are into manufacturing and on equipment for enterprises rendering services. The present ceiling on Micro, Small & Medium enterprises for investments are as follows:

Table 1
Ceiling on Micro, Small & Medium enterprises for investments

Classification	*Manufacturing Enterprises*	*Services enterprises*
Micro	Rs. 25 Lakhs	Rs. 10 lakhs
Small	Rs. 5 Crore	Rs. 2 Crore
Medium	Rs. 10 Crore	Rs. 5 Crore

Source: Ministry of MSME, MSME at a Glance, January 2016

There is a high opportunity for growth and prosperity for both domestic and foreign companies investing in the Make in India initiative and the MSME could play a major role in this development. The Digital India programme also provides an opportunity for MSME to participate in the Information, Communication & Telecommunication domain thereby contributing in line with the government vision.

According to the MSME Census survey conducted in 2006-07, the number of units were 36.17 million (of which registered were 1.54 million units), employing over 80 million with a gross output of Rs. 13.5 trillion. The unregistered units are large in numbers and in this category almost 95% are 'micro', 4.8% are 'small' and 0.2% 'medium'.

Table 2
Contribution of MSME Sector in GDP and Output

(at 2004-05 prices)

Year	Gross Value of Output of MSME Manufacturing Sector (₹ in crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Source: 1. Fourth All India Census of MSME 2006-07,
2. National Account Statistics (2014), CSO, MoSPI and
3. Annual Survey of Industries, CSO, MoSPI.

India's GDP is expected to reach 8.5% becoming a USD 5 trillion economy by 2025 (Department of Economic Affairs, Ministry of Finance – India the Incredible Investment Destination, Fact Book – June 2012) this will significantly increase the share of MSME in GDP from current 8% to 15 % by 2025.

MSME provides employment opportunities at a lower cost and also provide growth opportunities, wealth creation and sustainable economic development. The MSME sector is already focussing on ICT to enhance their competitive edge, efficiency and manage communications but due to the size of MSME & financing they have limited needs. Although the rise in the demand from global market and the technological advancement in the area of internet and computing these industrial units have built their online presence either by use of ERP solutions or online sales.

1.1. Opportunities

These start-ups can get benefit of demographic dividend in India. According to the latest UN report, India has 356 million 10-24 year-olds population. The economy and structural issues in India such as health, education, infrastructure, can be solved by new start-ups who have an idea how to resolve these issues. India has huge population and increasing demand in various sectors are opportunities for start-ups. India has high mobile penetration considering tele-density and subscriber base which is an advantage. A few start-ups are given tax exemptions for 3 years out of block of five years. A few industries are also given exemption from compliances. Technology driven start-ups are actually disrupting various business models and customer life. The opportunities are coming up in power sector solutions (GDP loss of $68 billion due to inadequate power), Infrastructure solutions (loss of $10 billion as traffic congestion cost per year), healthcare issues to solve with web based solutions, financial inclusion, agriculture productivity, education and skill employment development for overall economic growth. The promising start up verticals are Internet on Things, Analytics, health care and hyper local start-up / e-commerce, robotics, 3D printing, machine learning, payment systems, aggregators, enterprise software, etc. The country has more than 19,000 technology-enabled start-ups, led by consumer, internet and financial services start-ups. Indian start-ups raised $3.5 billion in funding in the first half of 2015. The active investors' base is also increasing from 220 (in 2014) to 490 in 2015. As of December 2015, eight Indian start-ups belonged to the 'Unicorn' club (ventures valued at $1 billion upwards).

1.2. Vision Make in India

Make in India campaign was launched by Prime Minister Shri. Narendra Modi on 25th September 2014. The campaign aims to facilitate investment, enhance skill development, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure in India. The campaign aims at building the nation a techno savvy Digital India focussing on 25 sectors of the economy for creating jobs and skill enhancement. India ranks 3rd globally with more than 4200 start-ups.

1.3. Ease of Doing Business

Ease of doing business focuses on regulations and regulatory compliances required for a business to produce great outcomes which are prudent and would provide for the betterment of the society. Regulations are at the heart of any transaction that a business has to consider whether it is starting a new business, disputes in court of law, permits from various authorities and simplified ways to run their businesses.

Various parameters are considered by calculating the indices for ease of doing business. Some of them have been listed below:

1. Starting a business : Procedure, cost, paid in capital
2. Dealing with construction permits : permits, cost incurred and regulatory formalities
3. Getting electricity : Cost of electricity and reliability of supply
4. Registering property : Set up of effective land administrative system
5. Getting credit: Easy availability of credit lines.
6. Protecting minority investors : Rights and corporate governance
7. Paying taxes: Friendly tax laws and regulations.
8. Trading across borders: Simplified rules and practices with minimum cost and availability of information.

9. Enforcing contracts : Quality of judicial system
10. Resolving insolvency: strength of legal framework.

Table 3
Economies in every region who performed well

	2004		2015
China	37* 832*	Payments to pay taxes Hours to pay taxes	9 261
Colombia	10 70* 456*	Points on getting credit indices Payments to pay taxes Hours to pay taxes	19 11 239
Egypt, Arab Rep.	38 3	Days to start a business Points on getting credit indices	8 10
Georgia	4.3*	Points on extent of conflict of interest regulation index	7.7
India	127	Days to start a business	29
Poland	1,000	Days to enforce a contract	685
Rwanda	370 2	Days to transfer property Points on getting credit indices	32 19

Source: Doing Business database.
Note: The getting credit indices are the strength of legal rights and depth of credit information indices. The scores for 2004 on these indices are of a possible 16 points; those for 2015 are of a possible 20 points.
* Data are for 2005.

India has been ranked 130th out of 189 countries with a Distance to Frontier (DTF) score of 54.68. It moved up four places from last year's ranking of 134. India eliminated the minimum paid in capital requirement for a business to set up helping industrial units working in sync with the government's visionary Make in India initiative.

The reform for enhancing India's ranking in the global index is underway as it has made big strides in the South Asian economies. The visionary objectives of the government have paved a way for Indian economy as it moves ahead in the ranking fostering a conducive environment for the business to expand contributing in the economic growth and job creation in the economy.

2. ISSUES FACED BY MSME

Despite the sector contributing towards strategic advantage, wealth creation and contributing employment generation, it faces challenges to a large extent such as technological obsolescence and financing problems have created a large problem for this sector. Its growth process is also hampered by the high cost of credit, low access to new technologies, poor infrastructure facilities, government norms, taxation and regulatory issues etc. MSME are facing key challenges such as financing options, Integrated Infrastructure facilities, Skilled labour, access to modern management practices, access to domestic and export markets, technological and environmental constraints, Government regulations, Sales and marketing skills. There are various issues which are faced by this sector, these issues affect the business model of MSMEs and if they cannot overcome this then it will result into losses and bankruptcy.

2.1. Identification of Problem: Business Models of MSMEs

There is a need to have professional who are expert in MSME sector and provide services not only in specific domain such as marketing, technology , finance however an expertise who understands overall environment, risks, policies, regulations etc. and its impact on a particular firm or sector. Considering the advancement in technology and other areas including data, analytics is going to play an important role in strategy formulation and creating robust business model. In case if they have business model then the same should be reviewed by experts who would give professional advice for further development. The review process is a process which is normally adopted in audit and assurance professionals.

2.2. Business Model of MSMEs

Since business model concept is very exhaustive, it is very difficult to arrive at one definition and also to differentiate between strategy and business model. Business model has been defined as "the content, structure and governance of transactions designed so as to create value through the exploitation of opportunities" (Amit and Zott, 2001: 511). Since Business model concept has various elements or components, literature states Slywotzky (1996) and Slywotzky and Morrison (2002) has stated eleven elements, Hambrick and Fredrickson (2001) states five, Markides (2008) proposed three, Gassmann, Frankenberger and Csik (2014) argued for four ingredients, Mitchell and Coles (2003: 3) provided a definition that included six main elements, however there is one common aspect in all which states that a successful business model should put together all elements, those are co-related / interrelated, reinforce each other in such a way that it creates value to customer and achieves basic objective of profit maximisation to main stakeholders i.e. shareholders.

The business model concept has dealt with the concept of the monetization mechanisms that firms use to capture value (Amit and Zott, 2012; Teece, 2010), and has also enriched our understanding of how technology affects business model design and how business models, in turn, influence technology development (Adner and Kapoor, 2010; Amit and Zott, 2001; Doganova and Eyquem-Renault, 2009). According to Start up plans and initiatives, MSMEs are affected by technology. *The country has more than 19,000 technology-enabled start-ups, led by consumer Internet and financial services start-ups*. Now a day the term business model is frequently used and it specifies the difference between strategy and business model considering risk element. There are a few examples such as Uber or Ola who does not offer unique services however they have introduced innovative technology in the traditional services. The same case is true for other companies such as Uber (which does not own any taxi), Facebook does not create its own contents, Alibaba does not manufacture anything of its own, Airbnb does not own any property of its own, Apple does not have its manufacturing factory; Whatsapp neither has its own server nor information of its own. Thus it indicates that due to intensive competition, changing regulations and structure the upcoming business models would be different than traditional.

The promising start up verticals are Internet on Things, Analytics, health care and hyper local start-up / e-commerce, robotics, 3D printing, machine learning, payment systems, aggregators, enterprise software, etc. New start-up companies must understand the newer models and the factors which affect their business models. The newer business models signifies that identifying the needs across geographical area, innovative products and services, outsourcing techniques, better services to customers, aggressive marketing, presence on web and social media, global exposure etc.

The concepts of business model generation for start-ups and business model innovations is getting attention in the literature and learning processes. Baden-Fuller & Mangematin, 2013:419, emphasises the use of business model in providing configuration of cause- effect relationship. A business model describes the rationale of how an organisation creates, delivers and captures value.

3. AUDIT & ASSURANCE

There are various types of audit and assurance services. In normal cases, the term 'audit' is referred to only audit of financial statements. However now a days considering the changing business dynamics, it is important to apply this concept to other areas. Descriptive evidence on assurance services, other than financial statement assurance, that are provided by audit firms is contained in See and Mock (1999) for Singapore, and Dassen and Schelleman (2001) for the Netherlands.

According to General Guidelines on Internal **Auditing** issued by the Institute of Chartered Accountants of India: "**Auditing** is a systematic and independent examination of data, statements, records, operations and performance (financial or otherwise) of an enterprise for a stated purpose. The term assurance includes audit and they are complementary. The term audit in most of the cases is meant for checking of compliance with law and regulations, company's policies.

There are views which require special attention as a difference between strategy and business model. Stanford Graduate School of Business, Centre for Leadership Development & Research has stated as follows;

1. Corporate Strategy deals with "How will we create value?"
2. Business Model deals with "How does strategy translate into value?"
3. Key Performance Indicators deals with "How will we measure our performance?"
4. Risk Management deals with "What can go wrong?"

The term strategy is different from a business model. A business model considers viable strategies and analyses the impact on expected outcome in the form of value creation to customers and profit maximisation. Of late it has been observed that new start-ups are creating disruptive business models which are challenging the established businesses.

3.1. Need of Audit of Business Model

The business deals with risks, devises strategies and business models which will ensure attainment of business objectives. If we observe the four steps mentioned above the audit is done for strategies (called as strategic audit), audit addresses KPIs of top management i.e. profit and financial position (Audit of financial statement i.e. profit maximisation and other aspects), a few companies also carry out Risk assurance and Internal Audit (as per SEBI guidelines all listed companies for effective corporate governance practices do have Audit Committee and Risk Management Committee). Since strategies are very confidential and internal to organisation which translates into business models, it is necessary to have internal expertise to review strategies (strategic audit) as well as business model audit. The external environmental factors are changing so fast which includes political, economic, regulatory, competitive, and other macro as well as micro factors that almost any factor may impact firm's strategy and business model. Due to legal requirements, start-ups are supposed to conduct financial audit however other audits which are not mandatory may not be conducted by them.

Although the concept of business model is not new to the world, the use of the same for a new start up is not at advanced stage. When the banks or financial institutes give loans, the start-up will have to submit a business plan however not in the form of a business model. In most of the cases, the business plan is reviewed at the beginning of the business however rarely reviewed at the later stages. If business model reviewed or audit is conducted at regular intervals then it will assist various stakeholders and will create an assurance of sustainability of business for new start-ups.

Amazon Constantly audits its business model.Amazon.com has changed its strategy to offer same day delivery to most US addresses. As a part of this strategy, the company increased the number of warehouses all around the US. Amazon has fundamentally changed its business model several times. Thus in changing business scenario, it is advisable to audit their business models so that likely failure rate for new start up is reduced. This clearly mentioned the role of strategies and business model. It also clarifies the need to conduct audit of business model constantly. The most popular form of understanding business model is business model canvas which discusses none aspects of business model. Business model canvas is actually used by entrepreneurs to understand how do they create value (results into profitable and wealth creating business) and pass it on to stakeholders. It is very critical for survival and growth of entrepreneurs. These nine blocks in business model canvas are affected by various forces which are a part of external environment.

3.2. Objective of Business Model Audit

The objective of business model audit is to verify and assure that business model does create value to various stakeholders and also achieves main objective of profit / wealth maximisation. The stakeholders in this case will involve customers, investors and on social aspect it will involve financial institutions, Government and economy at large. The audit can be done by internal experts or can be outsourced to expert consulting firms. If the business model is successful then the firm gets an opportunity to expand further and grow through capital market by listing its shares in stock exchange. The auditor will have to assure top management that model is sustainable and will not be failed or become a sick unit. For this purpose the auditor will have to use various statistical and financial techniques such as Altman Z score, du Pont analysis, financial modelling etc. The auditor looking at framework with relevant data related to framework points should assure the healthy position of start-up.

A business model audit will ensure whether business model is sustainable, does it create value, does it give rise to business transformation, risks / factors which need to be considered for better results. There are four main areas of business i.e. customer, offer, infrastructure and financial viability. Thus business model is a blue print of strategy. The audit will find out gaps and will try to address those issues.

3.3. Business Model Audit Framework

The industry uses business model canvas to understand the design, structure and outcome of business model. The detailed audit plan is based on the business model canvas. There are three parts of framework, one which deals with risks (external) assessment, second part deals various input, process of business model and third deals with meeting the predefined objectives in the form of KPIs i.e. key performance indicators.

There are nine parameters in business model canvas which are to be reviewed as follows;

Segment 1: Customers: The start-ups will have to define their customers and customer segments. The customers should be profitable and can be retained for a long period of time. This may give better in input in terms of marketing strategy.

Segment 2: The value proposition explains how start up creates products and services which delivers value to customers. It will lead to customer satisfaction which will create more customer loyalty and sustained revenue. Start-ups need to understand customer problems and they need to devise solutions. The start-ups to remain in competition need to deliver quality products and services. The revision in products / services should be based on customer demand / requirements. For this investment in R & D, a patent etc. is important. The creation of brand of product, pricing decisions are critical.

Segment 3**:** Channels: It suggests communication strategies, distribution / sales aspect which can pass on the value to customers. The start-ups will have to devise strategy to reach out methods such as through wholesalers, own stores, own sales employees and web based. Considering mobile penetration in India, web based applications are more useful.

Segment 4: Customer Relationship: In this case customer retention, acquisition policies are very critical.

Segment 5: Revenue streams: Once the start-up defines its customer segment as per above step, the next step is to find out revenue flowing to organisation per customer segment. It can also be called as segmental revenue. It results into creating revenue streams based on different types of customers. The customers can be categorised as one time customer, recurring revenue generating customers. This classification will help start up to undertake profitability analysis of various segments for further decision making. In this, pricing plays a crucial role.

Segment 6: Key Resources: The resources owned and maintained by a firm helps them to create value and pass on value to customers. The resources can be classified into different categories such as physical asset, tangible / intangible assets, IPR related, financial or human. The firms will have to optimise and make best use of it to create value to customer and shareholders. All the assets may not appear in the financial statement however firm need to understand its importance for maximising profit / wealth.

Segment 7**:** Key Activities: The key activities depend upon whether it is manufacturing / service or any other type of business. The key activities would differ from industry to industry and sector to sector. Even there could be firm specific activities.

Segment 8: Key Partnerships: There could be multiple types of partnerships such as relation with various suppliers, contractors, customers, financial institutions, joint ventures, strategic alliance and some time as a coopetition. It helps firm to concentrate on their key areas, reduce risk and use outside expertise to create value to customers.

Segment 9: Cost Structure: It includes all types of costs which are incurred by firm to operate the business. The segments mentioned above incur the costs which are deducted from revenue to arrive at profit. The firm can identify key resources, partners and activities which consumer more costs and find out alternatives to reduce it to earn more profits.

Once the initial review is done based on above steps then business model auditor should test, validate, review and offer his opinion on the business model based on following framework.

Table 4
Conceptual Business Model Audit Framework

<table>
<tr><td colspan="4">Risk Assessment of New Trends (Technological, Regulatory, Policy etc. and it impact on Business Model</td></tr>
<tr><td rowspan="6">Risk Assessment of Industry/ Sectoral forces (New entrants, Competition, stakeholders)</td><td>1</td><td>Input Variables: Demand Analysis, Segmental Revenue, Sales forecast, Cost structure, Capital expenditure , funding options,</td><td rowspan="6">Risk Assessment of Market (Segments, Demand Analysis) and Social factors</td></tr>
<tr><td>2</td><td>Expected Outcome in the form of Spread sheet Model of Projected Income Statement, Balance Sheet and Cashflow statement</td></tr>
<tr><td>3</td><td>Evaluation of various strategies and its impact on Business Model</td></tr>
<tr><td>4</td><td>Evaluation of B. Model in terms of Ratios, Valuation of business, Project Appraisal, Advanced analysis</td></tr>
<tr><td>5</td><td>Scenario Development and Analysis, Sensitivity Analysis, What if Analysis etc.</td></tr>
<tr><td>6</td><td>Expected Outcome Review : KPIs - Value Creation, Profit maximisation, wealth maximisation, Social responsibilities etc.</td></tr>
<tr><td colspan="4">Risk Assessment of Economic Parameters (Global economy, Indian Economy, Inflation, Interest Rates, Exchange rates etc.)</td></tr>
</table>

Source: Author's Own

4. BUSINESS IMPLICATIONS

The start-ups will have to first design their business model and enter the details in canvas. The basic objective of any firm is to maximise profit and wealth. The start-ups will adopt various strategies which aim to maximise above. One of the basic assumptions in financial statement is a going concern principle and auditors consider this while finalising statutory audit. Business Model audit is not mandatory under law however it will assist all entrepreneurs to understand where they stand and whether the business achieves pre-determined objective. The possibilities of failures will be less and it will be immensely useful in finding out true valuation in case of mergers and acquisitions. The auditor in this case should have in depth knowledge of the parameters in the above framework to understand and assure whether start-ups will continue to deliver value to various stakeholders such as customers, investors, and Government / economy in larger scale. The auditors can analyse and find out the impact of external factors on business model and how it would impact their "going concern" assumption and achieving the objectives. As an instance, ease in regulatory environment will be a positive impact on profitability and wealth.

It is necessary to study risk aspects in the above framework. This risk is divided into four parts. The studies have shown that political environment, regulation, competition, have a negative effect on profitability. The firm profitability is determined by firm, industry and by country factors. Studies such as McGahan and Victer (2010) show the relevance of country factors for firm performance. The macro-economic factors and institutional traits also affect firm profitability.

The results from above study shows that analysts (auditors) need to apply factors such as regulation and political aspects of firms in their forecast models. Since all these factors have impact on earnings.

According to Allen, one of the biggest mistakes in case of new entrepreneurs is not to learn about industries or competitive environments, fail to monitor and act on economic macro trends. The start-ups must analyse both environments continuously for designing, changing, and refining their business models. On the macro environmental level, PESTEL framework is useful for analyzing political, economic, social, technological, environmental ('green issues'), and legal factors that are affecting organizations. A firm's profitability depends on its business model as well as on its environment. According to Hill and Jones, above discussed factors impact the profit of firm. The competitive environment is divided into market environment and the organization analysis.

It is advisable that entrepreneur as a part of initial stage and subsequently could prepare a business model canvas and keep it ready for review or audit by an expert. The auditor should use professional judgment and process to verify that the model is self-sustainable and create value at various stages. This assurance will give confidence to various stakeholders such as Government, supplier, financial institutions, investors, owners etc. that association or business with such firms is reliable. The audit report need not be shared with outsiders however conducting this type of audit and disclosing it to outsiders that it has been carried out will give more advantage.

There are a few inherent limitations of audit which are at present conducted by firms and most of them regulatory in nature such as statutory audit, tax audit etc. However other types of audits (internal audit) may not cover all the aspects of business model. It is advisable that such types of business model audits conducted by experts will help start-ups to sustain in the business under dynamic and uncertain environment, grow with value, transformation of businesses, to remain viable in long run. It has been observed that in most of the countries, SMEs / start up failure rates is quiet significant. The business model audit will assist them to achieve success without a risk of failure.

5. CONCLUSIONS

The start-up companies have huge scope in Indian economy and regulations are in favour of them. However considering the past, MSMEs face huge challenges and issues and required to close down which has resulted into wealth erosion along with adverse impact on economy and society. While these companies are starting businesses, it would be better if they define business models. It has been observed that due to uncertain external economic environment business model need revisions. This can be resolved with the help of business model audit by experts. It will help these companies to conduct sustainable business and attain the objective of profit and wealth maximisation.

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