

# FACULTY OF JURIDICAL SCIENCES

# Lecture-30



# **Meaning of Promotion**

The dictionary meaning of the word 'promotion' is 'to help bring into being'. The term promotion of a company, therefore, means to help bringing a company into existence. The term promotion nor the term promoter has been defined in the Companies Act. In fact, the word promotion is more a commercial term than a legal one.

For the promotion of a company a few persons, called promoters, desirous of forming into a company to achieve some purpose, whether with the intention of making profit or not, have to undergo several steps.

**Promotion can be grouped into two parts:**

**Commercial and Legal.**

Once the commercial steps are over the legal steps begin. At the latter stage assistance of a person, conversant with Company Law becomes necessary.

## **Step of Promotion**

**The Commercial Steps consist of the following:**

**(1) Discovery of an Idea:**

At first the promoters will find out what shall be the purpose of forming the company. Such an idea can be formulated out of experience of their own or of others. The purpose must be meaningful having a practical basis otherwise all the efforts will be futile.

**(2) Investigation:**

They have to make enquiries in the market about the potentiality of the proposed business. Various facts, data and information shall have to be collected and the market has to be studied.

### **(3) Planning:**

After proper deliberation and computation of the facts, information, etc., a plan for the proposed business has to be prepared with details. Opinions of management consultants may be sought and a Project Report may be obtained. In advanced industrial countries there are professional promoters who do the promotional job.

### **(4) Financing:**

Finance is necessary from the early stage till formation of the company is complete. The initial money comes from the promoters themselves and also from underwriters, if any, to be reimbursed by the company out of its capital. Expenses relate to legal obligations, stationery, conveyance and communication with the Government, the financial institutions (if any), the share brokers, etc.

- A promotion can refer to the advancement of an employee's position, creating awareness around certain product deals, or creating buzz around little-known stocks.
- Promotions are applied frequently in the marketing sector.
- The term is used differently in different contexts, the most popular being a job promotion.
- In investments, a promotion creates awareness of little-known stocks in the hope of increasing demand and the price of the stock.
- Promotion marketing materials can include t-shirts, postcards, and key chains. These items are often called "swag" in the marketing world.