



Business Studies Notes PDF

On

Entrepreneurship Development

(Class - 12 / Chapter- 13)

MEANING

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practicing some profession.

A person who set-up his business is called an entrepreneur and the output of the process is, the business unit, which is called an enterprise. You may invoke 'subject verb- object (SVO)' relationship in English grammar to clearly understand these terms.

THE CONCEPT OF ENTREPRENEURSHIP

- Entrepreneurship is considered as one of the four major factors of production
- In the early 18th century French economist Richard Cantillon first introduced the term 'entrepreneur' in economics.

Definition:

Entrepreneurship is a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering the value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business.

CHARACTERISTICS OF ENTREPRENEURSHIP

1. Systematic Activity: Entrepreneurship is not a mysterious gift or charm and something that happens by chance! It is a systematic, step-by-step and purposeful activity. It has certain temperamental, skill and other knowledge and competency requirements that can be acquired, learnt and developed, both by formal educational and vocational training as well as by observation and work experience.

2. Lawful and Purposeful Activity: The object of entrepreneurship is lawful business. It is important to take note of this as one may try to legitimize unlawful actions as entrepreneurship on the grounds that just as entrepreneurship entails risk, so do illicit businesses. Purpose of entrepreneurship is creation of value for personal profit and social gain.

3. Innovation: Entrepreneurship is creative and it involves creation of value and innovation in introducing path breaking, radical innovations.

4. Organisation of Production:

- Entrepreneur, in response to a perceived business opportunity, mobilises the resources into a productive enterprise or firm.
- The entrepreneur develop an idea that he promotes to resource providers and convince just the funding institutions and with the capital so arranged he may enter into contracts of supply of equipment, materials, utilities (such as water and electricity) and technology.
- An entrepreneur needs negotiation skills to raise these in the best interests of the enterprise.

5. Risk-taking:

- As the entrepreneur contracts for an assured supply of the various inputs for his project, he incurs the risk of paying them off whether or not the venture succeeds.
- Individuals opting for a career in entrepreneurship are ready to take a bigger risk that is involved in a career in employment or practice of a profession as there is no "assured" payoff.

Entrepreneurship has been regarded as a 'type of behaviours' whereby one:

- (i) Proactively tries to solve a problem;
- (ii) Uses personal creativity and intellect to develop innovative solutions.
- (iii) Thinks beyond resources presently used and try new ideas in exploiting the emerging opportunities or attending to the impending problems.
- (iv) Has the conviction to convince others of one's ideas and seek their commitment towards the project.
- (v) Has the courage of heart to withstand adversities, persist despite setbacks and be generally optimistic.

DIFFERENCES BETWEEN ENTREPRENEURSHIP AND MANAGEMENT

<u>Entrepreneurship</u>	<u>Management</u>
Entrepreneurship refers to creating a company / firm by considering financial risk.	Management refers to doing business activities by a group of people or by organized groups.
It motivates to start a business.	It motivates to manage business.
It includes start-ups , ventures	It will take care of the ongoing operations
The rewards come in the form of profits.	Employees get their salaries.
It accepts risks.	It does not accept risk.
The decisions are made on personal perception.	The decision comes after detailed analysis of information.
Includes innovators.	Includes executors.

NEED OF ENTREPRENEURSHIP

The need for entrepreneurship is detailed down in the following section:

- Passion, Perseverance & Persistence
- Big Dreamer
- Learning
- Good Listener
- Financing Partner

FUNCTIONS OF ENTREPRENEURS IN RELATION TO ECONOMIC DEVELOPMENT

- **Contribution to the GDP:** The entrepreneurs play a vital role in producing the optimum amount of products and services in response to the demand by the people. If there were no entrepreneurs, the country would be solely dependent on imports and multinational companies and the GDP would be adversely affected or collapse. Therefore, the economy is hugely dependent on entrepreneurs for its GDP generation.
- **Generates Employment:** Starting new ventures inevitably means the requirement of various resources including the very valuable human resource to get the work done. People are required to perform various functions in an organisation. So one of the major functions of entrepreneurs is helping the economy by generating employment.

- **Capital Formation:** It is an investment decision, which increases the productive capacity of the economy and hence results in capital formation.
- **Generation of Business Opportunities for Others:** Every new business creates opportunities for the suppliers of inputs (this is referred to as backward linkages) and the marketers of the output (what is referred to as forward linkages) in an economy.
- **Improvement in Economic Efficiency:** Entrepreneurs improve economic efficiency by, a. Improving processes, reducing wastes, increasing yield b. Bringing about technical progress, that is, by altering labour-capital ratios.
- **Increasing the Spectrum and Scope of Economic Activities:** Entrepreneurs through their prudent decisions to divest from the weak sectors and invest in robust sectors, which will bring about a virtual transformation of the economy from 'underdeveloped' to an 'emerging' and 'developed' status for a country.
- **Impact on Local Communities:** That small-scale entrepreneurship enables marginalised groups as women, SC, ST and OBC to pursue their economic dreams.
- **Fostering the Spirit of Exploration, Experimentation and Daring:** Entrepreneurs, through their urge to do something new, try to exploit opportunity, experimenting with novel ideas and by showing the courage to try them prepare a fertile ground for persistent economic development.

ROLE OF ENTREPRENEURS IN RELATION ELATION TO THEIR ENTERPRISE

- **Opportunity Scouting:** Entrepreneurial opportunities have to be actively searched for. One may rely on personal observation, discovery or invention. Personal/professional contacts/networks and experience or may also help in identifying business opportunities. Alternatively, one may rely on published reports, surveys and the like.
- **Identification of Specific Product Offering:** While the environment scan leads to the discovery of more generalised business opportunities, there is a need to zero in on a specific product or service idea.
- **Feasibility Analysis:** The product offering idea must be technically feasible, that is it should be possible with the available technology to convert the idea into a reality. And this should be possible at a cost that can be covered by the price it will fetch; in other words, the idea must be economically feasible too.

THE PROCESS OF ENTREPRENEURSHIP DEVELOPMENT

STARTUP INDIA SCHEME:

The Startup India Scheme is an initiative of the Government of India with an objective to carve a strong ecosystem for nurturing innovation and startups in the country.

The scheme specifically aims to

1. Start an entrepreneurial culture
2. Create awareness about the charms of being an entrepreneur
3. Encourage more dynamic startups by motivating educated youth, Scientists etc.
4. Support the early phase of entrepreneurship development
5. Broad base, the entrepreneurial supply by meeting specific needs of underrepresented target groups.

As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a startup means:

1. An entity incorporated or registered in India.
2. Not older than five years.

3. Annual turnover does not exceed Rs. 25 crore in any preceding year.

4. Working towards innovation, development or commercialization of products /service / processes driven by technology or IPRs and patents.

STARTUP INDIA INITIATIVE: ACTION POINTS

1. **Simplification and Handholding:** friendly and flexible, simplifications are announced for the compliance of start ups.

2. **Startup India Hub:** The objective is to create a single point of contact for the entire startup

3. **Legal support and Fast-tracking Patent Examination:** SIPP is envisaged to facilitate protection of patents, trademarks and designs of innovative and interested startups.

4. **Easy exit:** In case of business failure and wind up of operations, procedures are being adopted to reallocate capital

5. **Harnessing private sector for incubator setup:** The government is setting up incubators across the country in PPP mode.

6. **Tax exemption:** Exemption of tax on profits is for a period of 3 years.

ENTREPRENEURIAL COMPETENCIES

The following are the various behavioral competencies required by an entrepreneur:

(1) **Initiative:** It is an entrepreneur who initiates a business activity.

(2) **Looking for opportunities:** Entrepreneurs always look for an opportunity and take appropriate actions accordingly.

(3) **Persistence:** He follows the Japanese proverb "Fall seven times; stand up eight". He makes repeated efforts to overcome harriers.

(4) **Information seeker:** Entrepreneur always searches for information from various researchers and consulting experts.

(5) **Quality Conscious:** An entrepreneur always tries to beat the existing standard of quality.

(6) **Committed to working:** Entrepreneur makes every sacrifice to get the task completed.

(7) **Efficiency seeker:** Entrepreneur always tries to get the task completed within minimum costs and time.

(8) **Problem Planning:** Entrepreneur always tries to develop realistic and proper plans and then executes carefully to accomplish the task.

(9) **Problem solver:** Entrepreneur always tries to find ways and means to tide over difficult times.

(10) **Self-confidence:** Entrepreneur has a strong belief in his strengths and abilities.

(11) Assertive: Entrepreneur is always assertive.

(12) Persuasive: Entrepreneur is able to successfully persuade others to do what he actually wants from them.

(13) Efficient monitors: Entrepreneur personally supervises the work so that it is done as per the desired standard.

(14) Employees' well-wisher: Entrepreneurs have great concern and also take the necessary steps to improve the welfare of the employees.

(15) Effective strategists: Entrepreneur introduces the most effective strategies to affect employees to achieve the enterprise goal.

ENTREPRENEURIAL MOTIVATION

1. Need for Achievement (N-Ach.): Need for achievement implies a desire to accomplish something difficult.

2. Need for Power (N-Pow): Need for Power is the concern for influencing people or the behaviour of others for moving in a predetermined direction and attaining the envisioned objectives.

3. Need for Affiliation (N-Aff.): Entrepreneurs are low on affiliation, as they are and expected to be, innovative, trendsetters and tradition breakers.

4. Need for Autonomy (N-Aut.): The need for autonomy is a desire for independence and being responsible and accountable to oneself rather than some external authority for performance.

Follow on Facebook	Follow on Instagram	Join us on Telegram
------------------------------------	-------------------------------------	-------------------------------------

• Commerce •

CLASSES