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ENTREPRENEURSHIP

You must be aware of the fact that earning is necessary for living. Your father, mother, brother, and others may be engaged in activities through which they earn a livelihood for the family. How do you plan to earn your livelihood? Would you like to take up a job in an organization or would you like to start your own business? The assumption of risk and responsibility in designing and implementing a business strategy or starting a business is called entrepreneurship. A teacher teaches in a school, a worker works in a factory, a doctor practices in a government hospital, a clerk serves in a bank, a manager works in a business concern to earn his living. These are the examples of people who are employees and earn money through salaries or wages given by their employers. This is known as wage-employment. On the other hand, a shopkeeper, a factory owner, a businessman, a doctor having his own clinic, earn money by running their own concerns. These are the examples of people who are self-employed. However, there are several self-employed individuals who not only create jobs for themselves but also generate jobs for many others. They may be termed as ‘entrepreneurs’.

In this lesson you shall learn in detail about entrepreneurship – the concept, its importance and functions. You will also learn about the qualities of entrepreneurs and also their ability to set up small-scale enterprises. These may be useful for your future life.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the concept of entrepreneurship;
- recognize the importance of being an entrepreneur;
- describe the essential qualities of a successful entrepreneur;
- identify the functions of an entrepreneur; and
- explain the various aspects of setting up a small business enterprise.



Notes

20.1 MEANING OF ENTREPRENEURSHIP

Entrepreneurship is the act of being an entrepreneur, which can be defined as “one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods”. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new business. The capacity and willingness to undertake conception, organization, and management of a productive venture with all possible risks and seeking profit as a reward.



An entrepreneur is a creative thinker. He is an innovator, who volunteers to take risk and invest money. In the process he generates jobs, solves problems, adds values and seeks excellence.

Thus, we find that, entrepreneurship consists of practices and skills of a person constantly trying for growth and excellence. This is being done by innovating an idea, object, product or service and put it to social use. To be an entrepreneur you need to possess some qualities. However, entrepreneurship is also referred to as a career oriented purposeful task that can be learnt. It may be noted here that, in the context of country's economic development, entrepreneurship is not always confined to big business. It is equally important to have small enterprises. As a matter of fact the economic growth and prosperity of many developed and developing countries is because of emergence of small enterprises.

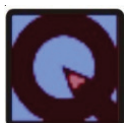
20.2 IMPORTANCE OF BEING AN ENTREPRENEUR

The role of entrepreneurship and an entrepreneurial culture in economic and social development has often been underestimated. Over the years, however, it has become increasingly apparent that **entrepreneurship does indeed contribute to the economic development. Transforming ideas into economic opportunities is the crux of entrepreneurship.** History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks. Entrepreneurs produce solutions that fly in the face of established knowledge, and they always challenge the status quo. They are risk-takers who pursue opportunities that others may fail to recognize or may even view



as problems or threats. Whatever the definition of entrepreneurship, it is closely associated with change, creativity, knowledge, innovation and flexibility-factors that are increasingly important sources of competitiveness in an increasingly globalized world economy. Thus, fostering entrepreneurship means promoting the competitiveness of businesses. Its importance can be expressed in the form mentioned below:

- 1) **Provides employment to the people:** - People often hold a view that all those who do not get employed anywhere jump into entrepreneurship, but in reality now a days most of the business are set by those who have other options available with them.
- 2) **Contributes towards research and development system:** - Almost 2/3rd of all innovations are due to the entrepreneurs. Without the boom of inventions the world would have been a much dry place to live in. Inventions provide an easier way of getting things done through better and standardized technology.
- 3) **Creates wealth for the nation and for the individuals as well:** - All individuals who search business opportunities usually, create wealth by entering into entrepreneurship. The wealth created by them plays a significant role in the development of the nation. The entrepreneurs contribute to the economy, in the form of products, and services Their ideas, thoughts, and inventions are also of a great help to the nation.



INTEXT QUESTIONS 20.1

Which of the following statements are true and which are false?

- (i) Entrepreneurs take risks in converting ideas into action
- (ii) Entrepreneurs are gamblers.
- (iii) An entrepreneur constantly strives for the excellence.
- (iv) Entrepreneurs are born not made.
- (v) An entrepreneur generates employment for others.
- (vi) Entrepreneur is an independent person.

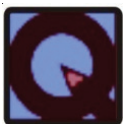
20.3 QUALITIES OF A SUCCESSFUL ENTREPRENEUR

Let us now know about the qualities of a successful entrepreneur. There may be many qualities needed to successfully run an enterprise. However, the following qualities are considered important:

- (i) **Initiative**-In the world of business, opportunities come and go. An entrepreneur has to be a man of action. He should be able to initiate action and take advantage of the opportunity. Once you miss the opportunity it will not come again. Therefore, initiative on the part of entrepreneur is a must.

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- (ii) **Willingness to assume risk-** In any business there is an element of risk. It implies that a businessman may be successful or unsuccessful. In other words, it is not necessary that every business shall earn profit. This deters individuals to take up business. However, an entrepreneur always volunteers to take risks to run a business and be successful.
- (iii) **Ability to learn from the experience-** An entrepreneur may commit mistakes. However, once a mistake has been committed, it should not be repeated as that will lead to heavy losses. So, one should learn from his mistakes. An entrepreneur, therefore, should have the ability to learn from the experience.
- (iv) **Motivation-** Motivation is the key to success. This is necessary for success in every walk of life. Once you get motivated to do something you will not rest unless you complete it. For example, sometimes you become so much interested in reading a story or a novel that you do not sleep unless you complete it. This kind of interest in the work comes through motivation. This is an essential quality of a successful entrepreneur.
- (v) **Self-confidence-** For achieving success in life, one should have confidence in himself or herself. A person who lacks confidence can neither do any work himself nor can inspire others to work. Self-confidence is reflected in courage, enthusiasm and the ability to lead. A successful entrepreneur must have self-confidence.
- (vi) **Decision making ability-** In running an enterprise, the entrepreneur has to take a number of decisions. He should therefore, be capable of taking suitable and timely decisions. In other words he must take right decision at the right time. In the present world, things move very fast. If an entrepreneur does not have the ability to take timely decision, he might miss opportunity and incur loss.

**INTEXT QUESTIONS 20.2**

Which of the following statements are true and which are false?

- (i) An entrepreneur should learn after committing the mistakes repeatedly.
- (ii) A person who does not have decision making power cannot be an entrepreneur.
- (iii) Lack of self confidence is the secret of success of all entrepreneurs.
- (iv) An entrepreneur should have the capacity to take timely decision.

20.4 FUNCTIONS OF AN ENTREPRENEUR

Some of the major functions of an entrepreneur are:

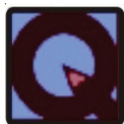
- i) **Identifying entrepreneurial opportunity** – There are many opportunities in the world of business. These are based on human needs



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like food, fashion, education, etc., which are constantly changing. These opportunities are not realized by common man, but an entrepreneur senses the opportunities faster than others do. An entrepreneur therefore, has to keep his eyes and ears open and require imagination, creativity and innovativeness.

- ii) **Turning ideas into action** – An entrepreneur should be capable of turning his ideas into reality. He collects information regarding the ideas, products, practices to suit the demand in the market. Further steps are taken to achieve the goals in the light of the information collected.
- iii) **Feasibility study** – The entrepreneur conducts studies to assess the market feasibility of the proposed product or services. He anticipates problems and assesses quantity, quality, cost and sources of inputs required to run the enterprise. Such a blue print of all the activities is termed as a ‘business plan’ or a ‘project report’.
- iv) **Resourcing** – An entrepreneur needs various resources in terms of money, machine, material, and men to running the enterprise successfully. An essential function of an entrepreneur is to ensure the availability of all these resources.
- v) **Setting up of the Enterprise** – For setting up an enterprise the entrepreneur will have to fulfill some legal formalities. He also tries to find out a suitable location, design the premises, install machinery and do many other things.
- vi) **Managing the enterprise** – One of the important functions of an entrepreneur is to run the enterprise. He has to manage men, material, finance and organize production of goods and services. He has to market each product and service, after ensuring appropriate returns/profits on the investment. Only a properly managed organization yields desired results.
- vii) **Growth and Development** – Once the enterprise achieves its desired results, the entrepreneur has to explore another higher goal for its proper growth and development. The entrepreneur is not satisfied only with achieving a set goal but constantly strives for achieving excellence.



INTEXT QUESTIONS 20.3

Write two sentences in your own words about each of the following

- (i) Feasibility Study
- (ii) Resourcing

20.5 SETTING UP OF A SMALL BUSINESS ENTERPRISE



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You have learnt about entrepreneurship and the various qualities required for becoming a successful entrepreneur. You have also learnt what exactly an entrepreneur does while starting a business unit. If you possess those qualities and confidence that you could be able to perform all those activities, you can now think about your own enterprise. But before you start your business let us study various factors required to be considered while setting up any small business.

(i) Who can start a small business?

Any one can start a small business unit. He may be - an exiting entrepreneur or a new one - having a business background or not - educated or uneducated - from rural area or urban area.

(ii) Arrangement of Finance

The entrepreneur has to analyze and find out the amount and the duration of finance required as well as the duration for such finance is needed in the business. The entrepreneur requires money to buy machinery, building, raw material, pay wages to labour, etc. Money spent on buying machinery, building, equipment, etc. is known as fixed capital. On the other hand, money spent on buying raw materials and paying wages and salaries, rent, telephone and electricity bills, etc. is known as working capital. The entrepreneur has to arrange for both fixed as well as working capital for his business. The finance can be raised by self-contribution or by borrowing from banks and other financial institutions. Money can also be borrowed from friends and relatives.

(iii) Selection of line of business

The process of launching a business begins when the entrepreneur start thinking about a line of business, which can be undertaken by him. He may consider business opportunities as per the market demand. He may go for an existing product or a new product. But before taking any step he has to ascertain the



profitability of the business and the amount of capital investment. Having estimated the profitability and risk involved, the entrepreneur has to decide which line of business could be desirable to pursue.

(iv) Choice of form of organization

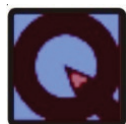
You have read about different forms of business organization in the earlier lessons. Now you have to choose the best form as per your requirement. Normally, a small business enterprise may preferably be started in the form of sole proprietorship or partnership.

(v) Location of the business

Special care should be taken while selecting the location of the business. An entrepreneur can start business in his own premises or in a rented premises. It can be located at a market place or in a commercial complex or in an industrial estate. While deciding the location, the entrepreneur should consider various factors like sources of supply of raw material, nearness to the market, availability of labour, transportation, banking and communication facilities, etc. Factories should be preferably located near the source of raw material and at a place that is well connected with rail and road transport facility. A retail business should be started near residential area or in a market place.

(vi) Availability of labour/workforce/employees

An entrepreneur cannot run the business alone. He has to employ people to help him. Skilled and Semi-skilled workers have to be recruited particularly for manufacturing work. Before starting the business, the entrepreneur must find out whether he will be able to get the right type of employees for the activities involved.



INTEXT QUESTIONS 20.4

- I. Which of the following statements are true and which are false?
 - (i) Only rich persons can start a business.
 - (ii) A small industry can be started by an entrepreneur in his own premises or rented premises.
 - (iii) An entrepreneur should start a business far away from the customers residences.
 - (iv) Large amount of working capital is not required for small business.
 - (v) Sales promotion technique should be used for marketing the product.

**Notes****II. Multiple Choice Questions**

- i. Which one of the them is not an importance of entrepreneur?
 - (a) Provides employment to the people
 - (b) Contributes towards research and development system
 - (c) Creates wealth for the nation
 - (d) Provides self sufficiency
- ii. Point out the quality in an entrepreneur
 - (a) Initiative
 - (b) Lack of experience
 - (c) Lack of confidence
 - (d) Lack of decision making ability
- iii. Which one in not function of an entrepreneur?
 - (a) Turning ideas into action
 - (b) Feasibility study
 - (c) Resourcing
 - (d) Shutting down the existing business
- iv. Who can start a business
 - (a) Only highly educated person
 - (b) Only an uneducated person
 - (c) Only rich person
 - (d) Any one of the above
- v. While selecting of line a business, an entrepreneur must keep in his mind
 - (a) Profitability
 - (b) Risk involved
 - (c) Profits
 - (d) All above

**WHAT YOU HAVE LEARNT**

- An entrepreneur is a person who is creative and innovative in terms of identifying opportunities for business; has the ability to take risks and requisite attitude to run the business. In the process he not only engages himself but also generates jobs for others.
- Entrepreneurship thus, comprises of the various practices and skills of persons who constantly strive for growth and excellence through innovation, dynamism and acceptance of risk. A starting 'will' to set up an enterprise, essential skills to start and run the business, ability to hard work and take risk are the essential requirements for a successful entrepreneur.
- Entrepreneurs are required by every nation as they contribute a lot to its growth and economic development.
- An entrepreneur should have qualities like taking initiative, willingness to undertake risk, ability to learn from experience, self motivation, self confidence, hard work and ability to take right decisions.



- Entrepreneurs identify various business opportunities, turn their ideas into action, make feasibility study of their plans, arrange resources, set up enterprises and constantly try to grow.
- Any person whether educated or not, whether having business background or not, whether from rural area or urban area, can start a small business. What is essential is the 'will' and the self confidence.
- Money required for setting up small business enterprise can be arranged from own sources or borrowed sources or both. Money can be taken on loan from banks and other financial institutions.
- To be successful in running a small business enterprise you can opt for a product or a combination of products provided they have a demand in the market.



TERMINAL EXERCISE

1. Explain the concept of 'entrepreneurship'.
2. Give any three features of an entrepreneur.
3. State the importance of an entrepreneur.
4. Describe any three qualities of a successful entrepreneur.
5. Explain how motivation is a key to success.
6. Explain the various functions of an entrepreneur.
7. What are the factors you would like to consider if you start a small enterprise to produce ball pen.



ANSWER TO INTEXT QUESTIONS

20.1 (i) True, (ii) False, (iii) True,
(iv) False, (v) True, (vi) True

20.2 (i) False, (ii) True, (iii) False, (iv) True,

20.3 Self answer.

20.4 I. (i) False, (ii) True, (iii) False, (iv) False, (v) True
II. (i) d, (ii) a, (iii) d, (iv) d, (v) d

ACTIVITIES FOR YOU

- Visit the nearest small scale industry and observe its working.
- Meet any entrepreneur in your locality and discuss with him secrets of his success.

MODULE - VII

Maximum Marks

00

Hours of Studies

30

Practical / Project Work

The learners ultimately have to enter the field of work which may be wage employment or self employment. Their success at the place of work will depend upon how skillfully they have performed their assigned jobs. This module has been designed to develop among the learners the skill of performing the assigned jobs using the case study approach, though this module is not the part of examination.