

# ENTREPRENURESHIP MANAGEMENT AND SMART TECHNOLOGY

(Diploma 5<sup>th</sup> sem)



*Education for a World State*

Prepared by

SANGRAM KUMAR JENA

Assistant professor

Civil department

NM INSTITUTE OF ENGINEERING AND TECHNOLOGY

## **CONTENTS**

### **1. Introduction to Entrepreneur.**

- 1.1 Evolution of the word Entrepreneur.
- 1.2 Meaning of Entrepreneur.
- 1.3 Definition of Entrepreneur.
- 1.4 Internal and External factors of Entrepreneur.
- 1.5 Characteristics of an Entrepreneur.
- 1.6 Manager versus leaders
- 1.7 Functions of an Entrepreneur.
- 1.8 Types of Entrepreneur.
- 1.9 Relationship between entrepreneur and entrepreneurship.
- 1.10 Entrepreneurial culture
- 1.11 Development of Entrepreneurial culture.
- 1.12 Concept of Entrepreneurship.
- 1.13 Definition of Entrepreneurship.
- 1.14 Importance of Entrepreneurship.
- 1.15 Features of Entrepreneurship.
- 1.16 Growth of Entrepreneurship in pre-independence period.
- 1.17 Theories of Entrepreneurship.
- 1.18 Problems in the growth of Entrepreneurship.
- 1.19 Difference between Entrepreneurship and entrepreneur.
- 1.20 Types of Entrepreneurship.
- 1.21 Entrepreneurial Traits or competencies.
- 1.22 Meaning of motivation
- 1.23 Definition of motivation
- 1.24 Nature of motivation
- 1.25 Types of motivation
- 1.26 Importance of motivation
- 1.27 Theories of motivation
  - 1.27.1 Maslow's need Hierarchy Theory
  - 1.27.2 Mc Clelland's three need model.
  - 1.27.3 Aldeafer's ERG Theory
- 1.28 Meaning of Women Entrepreneur
- 1.29 Definition of Women Entrepreneur

# **Entrepreneuship Development**

- 1.30 Functions of Women Entrepreneur
- 1.31 Growth of Women Entrepreneur
- 1.32 Problems of Women Entrepreneur
- 1.33 Remedies for the problems of women Entrepreneurs
- 1.34 Summary
- 1.35 Self assessment questions.

## **2. Entrepreneurial Development**

- 2.1 Meaning of Entrepreneurial Development
- 2.2 Environmental factors
- 2.3 Socio-economic environment in the emergence of entrepreneurship
- 2.4 Meaning of EDPs
- 2.5 Definition of EDPs
- 2.6 Objectives of EDPs
- 2.7 Need of EDPs
- 2.8 Evaluation of EDPs
- 2.9 Problems in the conduct of EDPs
- 2.10 Suggestions to make EDPs successful
- 2.11 Organizing product/ process oriented EDPs
- 2.12 Course contents of EDP
- 2.13 Role of Entrepreneurial Development Programme
- 2.14 Relevance of Entrepreneurial Development Programme
- 2.15 Achievements of EDPs
- 2.16 Financial Institutions provide finance to entrepreneurship at National
- 2.17 Institutional support to small entrepreneurs
- 2.18 Specialized Institutions
- 2.19 Institutional support for EDPs
- 2.20 Summary
- 2.21 Self Assessment Questions

## **3. Business ideas**

- 3.1 Introduction to business ideas
- 3.2 Sources of business ideas
- 3.3 Idea and information sources

# **Entrepreneureship Development**

- 3.4 Techniques for generating new ideas.
- 3.5 Meaning of Project
- 3.6 Project classification
- 3.7 Project identification
- 3.8 Meaning and Significance of Project Report
- 3.9 Contents of Project Report
- 3.10 Formulation of project report
- 3.11 Planning Commission Guidelines Project Appraisal
- 3.12 Meaning and definition
- 3.13 Identification of Opportunity
- 3.14 Project feasibility study
- 3.15 Introduction to profit
- 3.16 Meaning and nature of profit.
- 3.17 Theories of Profit
- 3.18 Depreciation
- 3.19 Profit Planning and Forecasting
- 3.20 Cost volume-profit analysis
- 3.21 Objectives of cost-volume-profit analysis
- 3.22 Profit volume (P/V) ratio
- 3.23 Break even analysis
- 3.24 Risk analysis
- 3.25 Type or kinds of risks
- 3.26 Methods of Risk analysis
- 3.27 Criteria for evaluating proposal to minimise risk
- 3.28 Sources of finance
- 3.29 Summary
- 3.30 Self Assessment Questions

## **4. Human Resources Management**

- 4.1 Constitution of small scale business
- 4.2 Legal formalities
- 4.3 Provisional Registration
- 4.4 Licensing systems of SSIs
- 4.5 SSI exemption skill as per budget 2003-2004

# **Entrepreneuship Development**

- 4.6 Rules regarding the Factories Act
- 4.7 Meaning and definition of small scale industries
- 4.8 Characteristics of SSI
- 4.9 Rationale of small scale industry
- 4.10 Objective of SSI
- 4.11 Scope of SSI
- 4.12 Role of SSI in economic development
- 4.13 Advantage of SSI
- 4.14 Government policy: Industrial policy resolutions
- 4.15 Government support to SSI during five year plan.
- 4.16 New policy initiative in 1999-2000 for small scale sector.
- 4.17 Impact of globalization and liberalization on SSI.
- 4.18 Impact of WTO/GATT on SSI
- 4.19 Meaning and need for support
- 4.20 Agencies of Government for SSI
- 4.21 Nature and types of support
- 4.22 Financial Institutions
- 4.23 Social responsibility of business
- 4.24 Meaning and definition of social responsibility
- 4.25 Responsibility of business towards different sectors of society.
- 4.26 Arguments for social responsibility of business
- 4.27 Arguments against social responsibility
- 4.28 Limits of social responsibility.
- 4.29 Barriers of social responsibility
- 4.30 Social responsibility – Indian situation
- 4.31 Summary
- 4.32 Self assessment questions

## **5. Small Scale Industry**

- 5.1 Introduction to SSIs
- 5.2 Definition of small scale unit
- 5.3 Characteristics or features of small scale industry or (MSME)
- 5.4 Objectives of small scale industries or (MSME)
- 5.5 Small business as a seedbed of entrepreneurship.

## **Entrepreneureship Development**

- 5.6 Importance of small scale industry or (MSME)
- 5.7 Problems of Small Scale Industry or (MSME)
- 5.8 Steps to start an SSI
- 5.9 Introduction and meaning of incentives and subsidies.
- 5.10 Need for incentives
- 5.11 Types of central government subsidies and incentives
- 5.12 Foreign direct investment in SSI sector
- 5.13 Problems of small scale industries
- 5.14 Causes of Industrial Sickness
- 5.15 Consequences of Industrial sickness
- 5.16 Remedial Measures of Sickness in Industries.
- 5.17 Summary
- 5.18 Self assessment questions

# **LECTURE NOTES**

## **Entrepreneureship Development**

### **MODULE - I (10 LECTURES)**

Entrepreneurship: Concept of entrepreneurship and intrapreneurship, Types of Entrepreneur, Nature and Importance, Entrepreneurial Traits and Skills, Entrepreneurial Motivation and Achievement, Entrepreneurial Personality.

# **Entrepreneuship Development**

## **INTRODUCTION TO ENTREPRENUR**

### **AIMS AND OBJECTIVES**

After going through this unit, you will be able to :-

- Define the concept of entrepreneur
- Understand the functions of entrepreneur
- Understand the entrepreneurial culture.
- Define the concept of entrepreneurship.
- Discuss types of entrepreneurship.
- Understand entrepreneurial traits and motivation.
- Define women entrepreneur.

### **Evolution of the word Entrepreneur**

The word 'entrepreneur' is derived from French word 'Entreprendre' which means undertaking the risk of enterprise and further it was used to designate an organizer of musical or other entertainments. Later in 16<sup>th</sup> century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17<sup>th</sup> century. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views.

### **Meaning of Entrepreneur**

Entrepreneur is a person who tries to create something new, searches new opportunities, bears risk, unites various factors of production like land, labour and capital carries innovations and from his skill and farsightedness faces unforeseen circumstances and thereby earns profits. Entrepreneurs are the pioneers who are instrumental in the economic development, growth and development of and prosperity of a country.



# LECTURE NOTES

## Entrepreneureship Development

### Definition of Entrepreneur

There are various views about entrepreneur which are broadly classified into three groups, namely risk bearer, organizer and innovator.

#### Entrepreneur as Risk Bear :

Richard Cantillon defined entrepreneur as an agent who buys factors as production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays contractual incomes, which are certain to land owners and labourers and sells at prices that are 'uncertain'. He includes, merchants also who make certain payments in expectation of uncertain receipts. Hence both of them are risk-bearing agents of production. F.H. Knight described entrepreneur to be a specialized group of persons who bears uncertainty. Uncertainty is defined as risk, which cannot be insured against and is incalculable. He made distinction between certainty and risk. A risk can be reduced through the insurance principle, where the distribution of outcome in a group of instance is known, whereas uncertainty cannot be calculated.

#### Entrepreneur as an Organizer :

According to J Baptist Say "an entrepreneur is one who combines the land of one, the labour of another and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to laborers and what remains is his/her profit". Say made distinction between the role of capitalist as a financier and the entrepreneur as an organizer. This concept of entrepreneur is associated with the functions of coordination, organization and supervision.

#### Entrepreneur as an Innovator :

Joseph A. Schumpeter Peter in 1934 assigned a crucial role of 'innovation' to the entrepreneur. He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production, i.e. innovations. The introduction of new combination according to him, may occur in any of the following forms.

- (a) Introduction of new product in market
- (b) Use of new method production, which is not yet tested.
- (c) Opening of new market.
- (d) Discovery of new source of raw materials.

# LECTURE NOTES

## Entrepreneuship Development

- (e) Bringing out of new form of organization.

Schums Peter also made distinction between inventor and innovator. An inventor is one who discovers new methods and new materials. An innovator utilizes inventions and discovers in order to make new combinations.

Hence the concept of entrepreneur is associated with three elements risk bearing, organizing and innovating. Hence an entrepreneur can be defined as a person who tries to create something new, organizes production and undertakes risks and handles economic uncertainty involvement in enterprise.

Some more important definitions of entrepreneur

1. **According to F.A. Walker :** “Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises”.
2. **Marx** regarded entrepreneur as social parasite.
3. **According to Gilbraith :** “An entrepreneur must accept the challenge and should be willing hard to achieve something”.
4. **Peter F. Drucker** defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.
5. **According to E.E. Hagen :** “An entrepreneur is an economic man who tries to maximize his profits by innovation, involve problem solving and gets satisfaction from using his capabilities on attacking problems”.
6. **According to Mark Casson :** “An entrepreneur is a person who specializes in taking judgement decision about the coordination of scarce resources”.
7. **Frank Young** defined entrepreneur as a change agent.
8. **According to Max Weber :** “Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs”.
9. **International Labour Organization (ILO)** defines “entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to

## Entrepreneuship Development

ensure success”.

10. *Akhour* describes “entrepreneur as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concern for excellence and who is persistent in achieving the goal”.

### INTERNAL AND EXTERNAL FACTORS OF ENTREPRENEUR

Entrepreneur is a person of telescopic faculty drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneur needs to possess competencies to perform entrepreneur activities.

#### Personal entrepreneurial characteristics

	<i>Core Competencies</i>	<i>Entrepreneurial Activities</i>
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of a client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.
5.	Concern for quality work	State desire to produce or sell a better quality product or service. Compares his performance favourably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.

## Entrepreneuship Development

13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influences strategies	Develops business contracts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Express concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm.
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market.

### CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur should possess all such characteristics with the help of which he can perform various responsibilities successfully. The following characteristics are :-

#### 1. Innovator

Schumpeter differentiates between an inventor and innovator. An inventor discovers new methods and new materials and an innovator is the one who utilizes those discoveries and inventions. Not only this, the entrepreneur further exploits the inventions commercially and thus produces newer and better goods which give him profit and satisfaction.

Innovation may occur in the following forms :

- (i) The introduction of new goods.
- (ii) The introduction of new methods of production.
- (iii) The opening of a new market.
- (iv) The conquest of a new source of supply of raw-material.
- (v) The carrying out of the new form of organization of any industry.

# **Entrepreneureship Development**

The entrepreneur locates ideas and puts them into effect in the process of economic development. According to Baumol, an entrepreneur is a Schumpetarian innovator and something more than a leader.

## **2. Risk-taker**

Risk means the condition of not knowing the outcome of an activity or decision. A risk situation occurs when one is required to make a choice between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated. A risk situation involves potential gain or loss. The greater the possible loss, the greater is the risk involved.

An entrepreneur is a calculated risk-tasker. He enjoys the excitement of a challenge but he does not gamble. An entrepreneur avoids low-risk situation because there is a lack of challenge and he avoids high-risk situation because he wants to succeed. He likes achievable challenges.

An entrepreneur likes to take realistic risks because he wants to be successful. He gets greater satisfaction in accomplishing difficult but realistic tasks by applying his own skills. Hence, low-risk situation and high-risk situation both are avoided because these do not satisfy the entrepreneur.

## **3. Organiser**

An entrepreneur has to bring together various factors of production, minimize losses and reduce the cost of production. Initially, he may take all the decisions but as the enterprise grows, he starts delegating the authority. He produces that best results as an organizer. Not only this, it is the entrepreneur who has to pick or select the right piece of land, choose the right person and opt for the finance. He must be able to inspire loyalty and hard work amongst the workers to raise productivity and efficiency. In order to expand the business, he must have willingness to delegate authority and trust his sub-ordinates and managers although shaping of long-run policies of the enterprise would remain in his hands.

## **4. Creative**

Creatively, as field knowledge, seeks to explain how humans, either individually or collectively, reach solutions that are both novel and useful. Innovation means the effort to create purposeful ventures.

Harry Nystrom states that innovation may be defined as radical discontinuous change and creativity is the ability to devise and successfully implement such changes.

# **Entrepreneuship Development**

Successful innovations depend on creativity and one of the most important requirements of an entrepreneur is to be creative as creativity may be taken as the cause and successful innovation as the effect.

## **5. Motivator**

McClelland explicitly introduces the need for achievement motivation as a psychological motive and implicitly emphasised the need for achievement as the most directly relevant factor for explaining economic behaviour.

Achievement motivation is a drive to overcome challenges, to advance and to grow. An entrepreneur is an achievement-oriented person, not 'money hungry'. He works for his desire for challenge, accomplishment and service to others.

Achievement concerns refers to the accomplishment of excellent, innovative and risk involving tasks. The organizational goal of an entrepreneur can be boosted by inculcating in him the need for achievement.

## **6. Technical Competent**

Success of an entrepreneur depends largely upon his ability to adopt latest technology. Technical knowledge implies the ability to devise and use new and better ways of producing and marketing goods and services. An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the ability that people can acquire with hard work.

An entrepreneur who has a high level of administrative ability, mental ability, communication ability, human relations ability and technical knowledge can be more successful than a person with low level of these abilities. A dynamic entrepreneur must also be interested in changing the pattern of production to suit the requirements.

## **7. Self-confident**

It is necessary for an entrepreneur to be self-confident. He should have faith in himself only then he can trust others.

In an expanded business, delegation of authority is a must and only a self-confident entrepreneur can delegate his authority. He can seek cooperation of his staff and inculcate a sense of team work in them.

## **8. Socially Responsible**

The changing environment calls for a socially conscious entrepreneur who is not threatened by progress of others. On the contrary, he acts in full awareness of social

## **Entrepreneureship Development**

repercussions of his actions. His entrepreneurial ability may create jobs for others. He may invent new products and new manufacturing methods. He may innovate new ways of doing things. All these have social consequences. An entrepreneur should think of projects of social significance and of importance to others. He should expand his entrepreneurial activities, in order to help in creating conditions for social change and for development of business which benefit the society. Such an attitude for others raises the level of entrepreneurship from that of an individual activity to a meaningful social endeavour.

### **9. Optimistic**

An entrepreneur should approach his task with a hope of success and optimistic attitude. He attempts any task with the hope that he will succeed rather than with a fear of failure. Such a hope of success enhances his confidence and drives him towards success.

### **10. Equipped with Capability to Drive**

Drive is a person's motivation towards a task. It comprises of such personality traits as responsibility, vigour, initiative, persistence and ambition. An entrepreneur must exert considerable effort in establishing and managing his business. Those entrepreneurs who work hard in planning, organizing, co-ordinating and controlling their business are more likely to have a successful business than the entrepreneur who is lost and haphazard.

### **11. Blessed with Mental Ability**

Mental ability that contributes to the success of an entrepreneur consists of overall intelligence, i.e. IQ, creative thinking ability and analytical thinking ability. An entrepreneur must be intelligent, adaptable, creative and he must be able to engage in analysis of various problems and situations in order to deal with them.

### **12. Human Relations Ability**

Personality factors such as emotional stability, personal relations, sociability, consideration and tactfulness are important contributors to entrepreneur's success. One of the most important facets of human relations ability is one's ability to "put himself in someone else's place" and to know how the other person feels. This is the ability to practice empathy.

The entrepreneur must have good relations with his employees, customers etc. He must be aware of the needs and motivations of customers if he is to adequately train his employees to maintain good customer relations.

## **Entrepreneuship Development**

### **13. Communication Ability**

An entrepreneur must possess the quality of communicating effectively in written and oral communications. Good communication also means that both the sender and the receiver understand and are being understood.

### **14. Decision-Making**

An entrepreneur must be clear and creative when it comes to decision-making. He must believe in himself and should be possessing ability to take decisions effectively. Decisions taken should be based on quantitative facts. Decisions which effect organisaton's future and are likely to be irreversible must be taken with great care.

Here are some tips to become a good decision-maker (1) Define the problem, (2) Collect information and relevant data, (3) Begin with a brain storming session and discuss the problem with each other, (4) Never criticize or reject any solution suggested during the brain storming session, (5) Encourage group members to come up with potential solutions, (6) Reduce the number of alternatives to three or four after discussion, (7) Consider each alternative extensively and determine the best to meet your needs and (8) Implement decisions.

Decision-making is an art; the more one practices it, better expert he/she becomes.

### **15. Business Planning**

The decision to become an entrepreneur is the first step followed by the choice of the product. As the business venture is undertaken, need for planning arises. It is the rigor and thoroughness of the business plan which could be behind the successful entrepreneur throughout his venture's life.

Planning is really nothing more than decision-making, that is, deciding what to do, how to do and when to do. It is vital for the success of a business. As a business person puts it:

“Planning is so important today that it occupies a major part of the time of the most respectivemen in business. Planning allows us to master change. It forces us to organize our expectations and develop programs to bring them about. Planning is the most effective way to draw out the best in all of us-our best thinking, out best interests and aims and to enable us to develop the most efficient way of achieving our maximum goals”.

### **16. A Venture Capital**

A David Silver, a successful capitalist described an entrepreneur as “Energetic”,



## **Entrepreneureship Development**

single- minded’, having ‘a mission and a clear vision”. He or she intends to create out of this vision a product or service in a field which many have determined is important to improve the lives of millions”. Silver also suggests that entrepreneurs venture out on their own from a sense of dissatisfaction with their organization, but they are not necessarily unhappy with their existing career fields.

### **17. Visionary**

Entrepreneurs are visionaries like J.R.D. Tata, Dhirubhai Ambani, Narayanamurthy, Aziz Premji etc. Entrepreneurs have a vision for growth, commitment to constructive change, persistence to gather necessary resources and energy to achieve results. An Entrepreneur is distinguished from a small business person. A person who leaves his job to start an independent business is not an entrepreneur. Constructive change is an essential feature of a visionary. For example, Gulshan Kumar (T-Series) was a venture capitalist and a visionary as well. He has left behind an unequalled legacy of music innovations. Henry Ford created the manufacturing miracle that launched a modern era in industry.

An effective visionary performs two key roles : (i) A charismatic role which involves establishing support for a vision and direction. He inspires and empowers his employees for support. Secondly, he plays an architectural role in order to build an appropriate organization structure. He has to look after various functions of management and discharge them effectively.

### **18. Entrepreneurs make Significant Differences**

The differences made by the entrepreneurs are significant. They have their own style of dealing with various problems, set backs and uncertainties. They tend to change the existing state of affairs and get the work done without bothering about obstructions and barriers.

### **19. Ability to Spot and Exploit Opportunities**

A story is told of a Jeweller who many years ago sent two of his marketing graduates to a remote village to see if they could come up with new product ideas for underdeveloped jewellery market. The first one after exploring the market said, “There is no business here, the residents of the village don’t wear jewellery of any type!” The second one was enthusiastic about the prospects and he said, “This is a great opportunity; the people here haven’t discovered Jewellery yet.”

This is how entrepreneurs spot the opportunities which others miss. Mc Grath

## **Entrepreneureship Development**

states that the entrepreneurs are comfortable with ambiguity and they can bring clarity by piecing together previous unrelated messages and signals.

The entrepreneurs craft or carve out opportunities for themselves. Their perceptions differ from non-entrepreneurs. There are very few persons who are inventors and entrepreneurs at the same time. Such persons have an edge over those who are only inventors or entrepreneurs.

### **20. Courage to Face Adversities**

Entrepreneurs face the adversities boldly and bravely. They refuse to be beaten and become tougher during adverse situations. They have faith in themselves and attempt to solve the problems even under pressure. Every unpredictable situation is a challenge before them which they overcome and survive through.

### **21. Leadership – An essential trait of the entrepreneur**

Leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives. It is a critical factor that not only helps an entrepreneur to identify his goals but also motivates and assists him in achieving the stated goals. Without leadership, an organisation would be only a confusion of people and machines, just as an orchestra without a conductor would be only musicians and instruments. Leadership is one of the primary traits of an entrepreneur by which he can influence others to voluntarily seek defined objectives. Leadership, thus, is the catalyst that transforms potential into reality, problems into opportunities, heading towards the achievement of objectives. This role is often seen dramatically when a small scale unit transforms itself into medium-scale and finally it turns into a giant organization. Leadership is equally important in all sizes of organization – be it small, medium or large. Warren Bennis, the leadership guru, says that effective leadership can't exist without the full inclusion, initiatives, and the co-operation of employees. Since a small industry is as labour-intensive industry, the entrepreneur must have leadership qualities to influence his workers or employees.

**Traits of Leadership :-** The path to leadership that one takes differs from individual to individual.

**However, there are a few key traits we can focus on :**

- High level of personal drive
- The desire to lead
- Personal integrity

## Entrepreneureship Development

- Self-confidence
- Cognitive (Analytical) ability
- Business Knowledge
- Charishma
- Creativity
- Personal Warmth

The traits between leaders and non-leaders may differ at the physical level, intellectual level or personality features could be different as well.

### MANAGER VERSUS LEADER :

Warren Bennis point out the characteristics of managers versus leader in the 21<sup>st</sup> century like this :

Manager Characteristics	Leader Characteristics
Administer	Innovates
SA copy	An originally Develops
Maintains	Focuses on people Inspires
Focus on systems and	trustLong-range perspective
structureRelies on Control	Asks what and
Short-range view	why Eye on the
Eye on the bottom	horizon
linelimitates	Originates
Accepts the status	Challenges the status
quoClassic good	quoOwn person
soldier	Does the right thing
Does things right	

Although a manager has different features than a leader but in small business the entrepreneur has to play the role of both. By creating an environment that encourages personal interaction, the leader and entrepreneur of a small firm can get the best from her/his employees and also offer a strong inducement to prospective employees. Several decades ago, managers were hard-nosed autocrats, giving orders and showing little concern for those who worked under them. Over the years, this style of leadership has given way to a gentler and more effective variety that emphasis as respect for all members of organisation and shows an appreciation for their potential as well. Manager leader entrepreneur frequently seeks some degree of employee participation in decisions that affect personnel and work process. This leadership approach taken upto a level can also be termed as empowerment. By using empowerment, managers go beyond solicitation

## Entrepreneuship Development

of employees' opinion and ideas by increasing their authority to act on their own and to make decisions about the process they are involved with.

### FUNCTIONS OF AN ENTREPRENEUR

An entrepreneur has to perform a number of functions right from the generation of idea up to the establishment of an enterprise. He also has to perform functions for successful running of his enterprise. Entrepreneur has to perceive business opportunities and mobilize resources like man, money, machines, materials and methods. The following are the main functions of an Entrepreneur.

1. **Idea Generation** : The first and the most important function of an Entrepreneur is idea generation. Idea generation implies product selection and project identification. Idea generation is possible through vision, insight, keen observation, education, experience and exposure. This needs scanning of business environment and market survey.
2. **Determination of Business Objectives** : Entrepreneur has to state and lay down the business objectives. Objectives should be spelt out in clear terms. The entrepreneur must be clear about the nature and type of business, i.e. whether manufacturing concern or service oriented unit or a trading business so that he can very well carry on the venture in accordance with the objectives determined by him.
3. **Raising of Funds** : All the activities of the business depend upon the finance and hence fund raising is an important function of an entrepreneur. An entrepreneur can raise the fund from internal source as well as external source. He should be aware of different sources of funds. He should also have complete knowledge of government sponsored schemes such as PMRY, SASY, REAP etc. in which he can get government assistance in the form of seed capital, fixed and working capital for his business.
4. **Procurement of Machines and Materials** : Another important function of an entrepreneur is to procure raw materials and machines. Entrepreneur has to identify cheap and regular sources of raw materials which will help him to reduce the cost of production and face competition boldly. While procuring machineries, he should specify the technical details and the capacity. He should consider the warranty, after sales service facilities etc. before procuring machineries.

## **Entrepreneuship Development**

5. **Market Research :** Market research is the systematic collection of data regarding the product which the Entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently to know the details of the intending product, i.e. the demand for the product, size of the market/customers, the supply of the product, competition, the price of the product etc.
6. **Determining form of Enterprise :** Entrepreneur has to determine form of enterprise depending upon the nature of the product, volume of investment etc. The forms of ownership are also proprietorship, partnership, Joint Stock Company, co-operative society etc. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.
7. **Recruitment of Manpower :** To carry out this function, an entrepreneur has to perform the following activities.
  - a. Estimate man power requirement for short term and long term
  - b. Laying down the selection procedure.
  - c. Designing scheme of compensation.
  - d. Laying down the service rules.
  - e. Designing mechanism for training and development.
8. **Implementation of the Project :** Entrepreneur has to develop schedule and action plan for the implementation of the project. The project must be implemented in a time bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time over run. He has to organize various resources and coordinate various activities. This implementation of the project is an important function of the entrepreneur. All the above functions of the entrepreneur can precisely be put into three categories of innovation, risk bearing, and organizing and managing functions.

### **TYPES OF ENTREPRENEUR**

Today various types of entrepreneur are found engaged in different types of activities, not only in industrial activities but also in agriculture and commercial activities. Today we can recognize entrepreneur in industry, service and business sectors which are technically called as ISB sectors. Entrepreneurs are classified in a number of ways as discussed below.

# Entrepreneureship Development

## Clearance Danhof's Classifications

Danhof classifies Entrepreneur into four types.

1. **Innovative Entrepreneur:** This category of entrepreneur is characterized by smell of innovativeness. This type of entrepreneur sense the opportunities for introduction of new ideas, new technology, discovering of new markets and creating new organizations. Such entrepreneur can work only when certain level of development is already achieved and people look forward to change and improve. Such entrepreneur are very much helpful for their country because they bring about a transformation in life style.
2. **Adoptive or Imitative Entrepreneur :** Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner. Instead of innovation, he may just adopt the technology and methods innovated by others. Such types of entrepreneur are particularly suitable for under developed countries for imitating the new combination of production already available in developed countries.
3. **Fabian Entrepreneur :** Fabian entrepreneurs are characterized by great caution and skepticism, in experimenting any change in their enterprise. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises.
4. **Drone Entrepreneur :** Such entrepreneurs are conservative or orthodox in outlook. They always feel comfortable with their old fashioned technology of production even though technologies have changed. They never like to get rid of their traditional business, traditional machineries and traditional system of business even at the cost of reduced returns.

## Arthur H Cole Classification

Arthur H Cole classifies entrepreneurs as empirical, rational and cognitive entrepreneur.

**Empirical :** He is an entrepreneur who hardly introduces anything revolutionary and follows the principle of rule of thumb.

**Rational :** The rational entrepreneur is well informed about the general economic conditions and introduces changes, which look more revolutionary.

**Cognitive :** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of

# LECTURE NOTES

## Entrepreneureship Development

enterprise.

### Classification Based on the Scale of Enterprise

**Small Scale :** These entrepreneurs do not possess the necessary talents and resources to initiate large scale production and to introduce revolutionary technological change.

**Large scale :** They possess the necessary financial and other resources to initiate and introduce new technological changes. They possess talent and research and development facilities.

### Other Classification

Following are some more types of entrepreneurs listed by behavior scientists.

**Solo Operators :** These are the entrepreneurs who essentially work alone, introduce their own capital and if essential employ very few employees. In the beginning most of the entrepreneurs start their enterprises like them.

**Active Partners :** Such entrepreneurs jointly put their efforts and resources. They actively participate in managing the daily routine of the business concern. Entrepreneurs who only contribute their funds but not actively participate in the business are called simple 'Partners'.

**Inventors :** Such entrepreneurs are creative in character and feel happy in inventing new products, technologies and methods of production. Their basic interest lies in research and innovative activities.

**Challengers :** According to such entrepreneurs, if there is no challenge in life, there is no charm in life. Such entrepreneurs plunge into industry/business because of the challenge it presents. When one challenge seems to be met, they begin to look for new challenges. They convert odds and adversities into opportunities and make profit.

**Buyers :** These are the entrepreneurs who do not like to face the hassles of building infrastructure and other facilities. They simply purchase the existing one and by using their experience and expertise try to run the enterprise successfully.

**Life Timers :** Such entrepreneurs take business as an integral part of their life. Family enterprises, which mainly depend on exercise of personal skill, fall in this category.

**Industrial Entrepreneurs :** Such entrepreneurs engage in manufacturing and selling products.

**Service Entrepreneurs :** Such entrepreneurs engage in service activities like repair, consultancy, beauty parlor etc., where entrepreneurs provide service to people.

## Entrepreneuship Development

**Business Entrepreneurs :** They are also called as trading entrepreneurs which buy and sell goods.

**Agricultural Entrepreneurs :** They engage themselves in agricultural activities like horticulture, floriculture, animal husbandry, poultry etc.

**Corporate Entrepreneurs :** Corporate entrepreneurs undertakes their business activities under legally registered company or trust.

**Rural Entrepreneurs :** Entrepreneur's selecting rural-based industrial opportunity in either khadi or village industries sector or in farm entrepreneurship are regarded as rural entrepreneurs. According to Kkhadi and Village Industry Commission (KVIC) village or rural industry means any industry located in rural areas, population of which do not exceed 10,000, which produces any goods or services in which fixed investment of an artisan or a worker does not exceed one thousand rupees.

**Women Entrepreneurs :** According to Government of India an women entrepreneur is defined as an enterprise owned and controlled by a woman and having minimum financial interest upto 51% of the capital and giving at least 51% employment to women.

### RELATIONSHIP BETWEEN ENTREPRENEURS AND ENTREPRENEURSHIP

Entrepreneurs	Entrepreneurship
Producer Person Organiser Innovator Risk bearer Motivator Creator Leader Imitator Visualiser Planner Investor	Production Process Organization Innovation Risk-bearing Motivation Creation Leadership Imitation Vision Planning Investment

The term entrepreneur is often used interchangeably with entrepreneurship, yet they are conceptually different. The relationship between the two is just like the two sides of the same coin. Thus, entrepreneurship is concerned with the performance and coordination of the entrepreneurial functions.

### ENTREPRENEURIAL CULTURE

The famous study on culture's consequences by Greet Hofsted has long proved that there culture-dependent differences in thinking and acting, and at times this cultural differentiation may prove the crucial element in fostering entrepreneurship. Culture both reflects the environment – physical and social – and in turn shapes it. It is important, therefore to understand the relationship between culture and entrepreneurship. The cultural moulding of one's perception, memory and attitudes indicates the massive impact of different designs for living upon the individual. A convenient shorthand way of referring to



## **Entrepreneureship Development**

the training in the life-ways of a society, which the new member acquires through social interaction, is to speak of the effect of culture upon the individual. But in so speaking, we are merely using a convenient abstraction to point to the myriad ways in which various people (who themselves learn the ways of the group from others) train the new individual in the approved ways. There is no single thing called 'culture' which influences a person. The relationship between culture and the individual is intertwined. Culture influences a person in a massive and pervasive way and this makes for the stability of a society and the continuity of its culture; the person also influences his culture and thus makes social change possible. The culture of a society consists, in part, of a particular set of arrangements for solving the problems of the members of the society. Some of these problems are special ones peculiar to the members of a particular society. Others are universal problems common to all human beings – such as meeting biological needs of the members, training the young caring for the sick. There are, of course, many different possible arrangements for solving those problems. From among these possible arrangements, one society adopts one set; a second society, a different set. This is another way of saying that no two cultures are identical.

The particular set of cultural arrangements adopted by a society is influenced by the physical environmental factor, as well as man's attitude and desire to improve his habitat. A society's culture, in other words, is not entirely determined by the 'given' physical environment. Man is not a passive victim of his physical environment. Within limits, he can act on it and transform it to suit his ends.

The historically important things with regard to natural resources is man's attitude towards them. It was not the availability of iron that created the Iron Age in Britain, nor the presence of coal that ushered in the Industrial Revolution, but the initiative of certain men at particular moments in time in finding a use for these mineral riches of the earth. The modifications or changes that have taken place in mechanical contrivances follow and tangibly employ prior modifications and changes in the purposes of human tool makers and tool users. The conversion of an agricultural parish in England into an industrialized community, the adoption of a new tool or the incorporation of a new technique of production into a small local cultural system has occurred early or late in time, here or there in space, as dictated by human will. Human geography demands as much knowledge of human beings as of geography.

The culture of a given society is also influenced by contacts with other cultural groups. Just as there is congruence between the 'physical surround' and culture, so is there

## **Entrepreneureship Development**

congruence between the 'social surround' neighboring cultures and the culture of any given society. The borrowings of one society from the culture of another are not, however, blind and random scavenging of odd bits and pieces. A society borrows only those cultural ways that are seen by its members as helpful in solving the problems they face; that are seen, in other words, as a means of reaching their goals. However, the impact of social surround is a slow and complex process that is determined, among other things, by strength of the cultures, the value system and the attitude of people towards change. Education plays an important role in determining attitudes. Perhaps, this is the reason why providing education for all is a central pillar of the Millennium Development Goals stipulated by the United Nations. The relationship between quality education and economic growth is now a proven fact. A few cases provided hereafter may be relevant at this stage. The Chotanagpur region of the Jharkhand state, which was earlier the southern part of the erstwhile Bihar state was one of the first regions to have acquired industrial status in independent India. The mineral-rich region had attracted the attention of our first Prime Minister Pt. Jawaharlal Nehru and a number of large industries came up in the region. Along with large public/private sector undertakings like HEC, SAIL, IISCO, HSCL, FCL, PDIL, TISCO, the central as well as state governments promoted growth of small scale industries and entrepreneurs were encouraged to set up units. With the nationalization of coal mines in the early 1970s this process gained further impetus. Thus, four major industrial area development authorities were created around the four industrial cities of Ranchi, Jamshedpur, Bokaro and Dhanbad. These were Ranchi Industrial Area Development Authority, Adityapur Industrial Area Development Authority, Bokaro Industrial Area Development Authority and New Kandra Industrial Estate, respectively. The objectives of these area development authorities were manifold. The state government wanted to enhance the pace of industrialization, exploit the natural resources of the region judiciously and catalyze economic growth and regional development. Many small scale units were setup on the region. Some were ancillaries to the existing large industries and some were set up to use the natural resources, particularly coal and other minerals available as raw material. This period saw rapid industrial activity in the region. It is to be remembered that today's highly developed regions like Gurgaon and NOIDA were not even planned then.

In the 1980, the Government of Uttar Pradesh (UP) decided to develop the industrially backward eastern region, and a number of strategic initiatives like incentives to set up units in zero industrial areas were announced. Land, finance, etc. were made available and industrial estates around industrially backward districts like Varanasi and

## **Entrepreneuship Development**

Jaunpur were developed. Thus, Ramnagar Industrial Estate in Varanasi District and SathariaI industrial Development Authority in Jaunpur were created. Many units came up. It was much later that NOIDA started coming up, after the government of UP decided to use the proximity of the region to Delhi as a strategic advantage. The Haryana Government's plan of developing Gurgaon came even later. However, as things stand today, the industrial area development authorities of Jharkhand and industrial estates of eastern UP are in shambles, while Gurgaon has become a leading industrial hub of the country, overtaking even NOIDA. A systematic observation of the industrial development process in and around the regions mentioned above will suggest that for entrepreneurship to flourish mere government support in terms of incentives is not enough. Nor, also, is the abundance of natural resources in the region. There is an entrepreneurial culture that is needed which includes many more things. It was this that was missing in eastern UP and Jharkhand.

Why the attempts to industrialize Jharkhand and eastern UP failed and why NOIDA and Gurgaon grew has to be understood. The difference lies in the cultures of these regions. While Jharkhand and eastern UP represent stifling cultures, NOIDA and Gurgaon represent facilitative cultures.

In stifling cultures, entrepreneurs set units to misuse the finance and other incentives that are offered, the political establishment is exploitative, the support system is rudimentary and the social system is indifferent. Thus, all the stakeholders lack commitment. And without commitment the result is what we saw, efforts and intentions do not yield results.

Attempts have been made by researchers to find out the basic elements of the entrepreneurial culture. While opinions vary and views are myriad, there is a wide agreement on the fact that entrepreneurship flourishes in some societies much more than in others. In India, for instance, Sindhi, Marwari, Gujarati and Punjabi cultures have thrown up many more successful entrepreneurs than others. This, however, is not to rule out the growth of entrepreneurship in other cultures. Rather, it is to identify the elements of successful entrepreneurial cultures and inculcate them in other cultures. But this is easier said than done.

There is a need to study and understand the entrepreneurial culture, identify the elements of cultures and inculcate them in other cultures.

# **Entrepreneuship Development**

## **DEVELOPING ENTREPRENEURIAL CULTURE**

India can make rapid strides if entrepreneurship gets due importance in national economic policies. The growth of Japan, South Korea, Singapore and other leading Asian economies can largely be attributed to entrepreneurship. The point to be noted here is that a culture for facilitating entrepreneurship is to be fostered. How to do this is perhaps to be learned from those who have realized it. Culture, like personality, has both content and pattern. Just as mere testing of the separate traits of an individual does not describe his personality, so the mere listing of the separate institutionalized ways of a society does not describe its culture. Two cultures, just as two personalities, may contain highly similar elements and yet be extremely unlike one another in pattern. It is this pattern, the arrangement of elements, that is critical. Just as in diamond and coal, the basic element carbon is same but the arrangement of molecules does the trick.

Developing entrepreneurship is thus a difficult task given the fact that you need a facilitative culture. Industries fail to flourish in Jharkhand, Bihar and eastern UP despite government efforts. The entire set of social, psychological, political, legal and economic environment needs to be taken into account. Delineating areas, outlining policies and announcing incentives may not be enough as has been proved in the cases mentioned above. A culture needs to be created. There is need to learn from the experiences and experiments of other cultures.

In India, the problem is diversity. There is so much diversity that a one-size-fits-all intervention will not work. Down south, the knowledge-based industry and its servicing has thrown up many entrepreneurs. Chennai and Hyderabad have seen rapid growth. East on the other hand is sluggish; rather the growth in Bihar, Jharkhand and eastern UP is negative, West Bengal being no better. Jharkhand is a classic case to prove how absence of entrepreneurial culture stifles growth. The state has abundance of natural resources, and industrial background running back to late sixties and availability of finances, yet it is ranked amongst the worst states in the country. In fact, the Honourable High Court of the state has been constrained to observe time and again that Jharkhand is going the Bihar way. These remarks made by a highly responsible agency of the state sum up the quality of governance of the state. This quality, incidentally, is a crucial determinant of an entrepreneurial culture because other determinants like infrastructure and law and order are dependent on it. Another important aspect is the social-cultural milieu. But more than their presence it is their interaction that is critical.

What makes an economy tick ? This, perhaps, is the most relevant economic

## **Entrepreneureship Development**

question for us in present times. Particularly, because many in India see this country emerging as an economic superpower in the next few decades. The popular one word answer to this vital question should be entrepreneurship. Both the theory and evidence suggest that entrepreneurial activities play a pivotal role in economic growth, small and medium enterprises being the crucial determinants. It is precisely because of this that the Government of India as well as different states are so keen to encourage entrepreneurship. In fact, the various state governments are boasting about their open arm policy towards entrepreneurs. Finances are available, policy measures are initiated and technical support is being extended. Despite these, however, growth of entrepreneurship is not satisfactory. But why does the entrepreneurship that steered growth in the West, Association of South East Asian Nations (ASEAN) countries and Japan fail to click in India. Small and medium enterprises have not shown the competitiveness and the character that boosts the economic development. The reason in one simple word is culture – entrepreneurial culture. This has to be systematically developed.

The Jharkhand example sums this up very well. This new state has the potential to be a leading state of the country. But it is a laggard. The same can be said of Bihar and eastern UP. To develop entrepreneurial culture, policy initiatives have to take a culture-specific view. What works in one region may not necessarily work in another region. A holistic approach is required for developing an entrepreneurial culture, where the society at large is involved in entrepreneurial development. It is the social environment that ignites young minds towards achievement orientation.

### **CONCEPT OF ENTREPRENEURSHIP**

Entrepreneurship can be defined as the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objectives. That points out the risk taking ability coupled with decision making.

The word ‘entrepreneurship’ typically means to undertake. It owes its origin to the western societies. But even in the west, it has undergone changes from time to time. In the early 16<sup>th</sup> century, the term was used to denote army leaders. In the 18<sup>th</sup> century, it was used to denote a dealer who buys and sells goods at uncertain prices. Towards 1961, Schumpeter, used the term innovator, for an entrepreneur. Two centuries before, the concept of entrepreneurship was shady. It is only in the recent years that entrepreneurship has been recognized widely all over the world like in USA, Germany, Japan and in the developing countries like ours. Gunnar Myrdal rightly pointed out that Asian societies

## **Entrepreneureship Development**

lack entrepreneurship not because they lack money or raw materials but because of their attitudes. Till recently, in the west, the entrepreneurship is mainly an attribute of an efficient manager. But the success achieved by entrepreneurs in developing countries demolishes the contention that entrepreneur is a rare animal and an elusive character. In India the definition of an entrepreneur being the one who undertakes to organize, own and run a business has been accepted in a National Seminar on entrepreneurship organized in Delhi in 1975. Still there has been no consensus on the definition of entrepreneurship and qualities of entrepreneurship.

Incidentally, entrepreneurship has engaged the attention of sociologists, psychologists and economists. Sociologists analyse the characteristics of an entrepreneur in terms of caste, family, social status etc. Psychologists analyse their attributes on the basis of their personality traits such as need for achievement, affiliation and power, risk taking, decision making, creativity, leadership etc. The economists analyze them on the basis of occupational background, access to capital, business and technical experiences.

### **DEFINITIONS OF ENTREPRENEURSHIP**

McClelland identifies two characteristics of entrepreneurship. Firstly, doing things in a new and better way (Schumpetrian's innovator). Secondly, decision making under uncertainty (Cantillon's entrepreneur). McClelland emphasized that entrepreneurial manager should have a high need for influencing other (need for power), a low need to establish emotional relationships (low need for affiliation) and a high capacity to discipline one's own self (inhibition). In other words, entrepreneurship means the function of creating something new, organizing and co-ordinating and undertaking risk and handling economic uncertainty.

“Entrepreneurship is meant the function of seeing investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging for supply of raw materials and selecting top managers for day to day operations of the enterprise”.

- Higgins

“Entrepreneurship is essentially a creative activity or it is an innovation function. The process of innovation may be in the form of

- (a) Introduction of a new product
- (b) Use of a new method of production

# **Entrepreneuship Development**

(c) Opening of a new market

(d) The conquest of new source of supplying raw material

(e) A new form of organisation”- Joseph A. Schumpeter “Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base.

Knowledge in entrepreneurship is a means to an end. Indeed, what constitutes knowledge in practice is largely defined by the ends, that is, by the practice”.- Peter F. Drucker

“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit-oriented business unit for the production or distribution of economic goods and services”.- A. H. Cole

“Entrepreneurship is that form of social decision making which is performed by economic innovators”.- Robert K. Lamb

“Entrepreneurship connotes innovativeness, an urge to take risk in face of uncertainties, and an intuition, i.e. a capacity of seeing things in a way which afterwards proves to be true”.- V.R. Gaikwad

“Entrepreneurship is the investing and risking of time, money and effort to start a business and make it successful”.- Musseleman and Jakson

## **IMPORTANCE OF ENTREPRENEURSHIP**

Entrepreneurship being an intangible factor is the moving force and development is the consequence. It has an important role in the context of a developing nation like India which is confronted with major socio-economic problems. Entrepreneurship can play an important role not only in the industrial sector of a country but in the farm and service sectors also.

India is being attacked by baffling problems of over population, unemployment, under-employment, poverty and the like. entrepreneurship is consistently equated with the establishment and management of small business enterprises and setting up these units is the solution to these baffling problems.

Concentration of economic power, regional imbalances, exploitation by monopolists, and many other giant problems find their solutions in the development of small scale industry which is another name of entrepreneurship in the developing

## Entrepreneuship Development

countries. Mahatma Gadhiji also asserted the same. Entrepreneurship has not grown much in India but it is gaining importance fast. The factors which retard the success of Entrepreneurship in India are inadequate infrastructural facilities shortage of capital, technical knowledge and transport, absence of cheap and good quality raw material and shortage of power, etc. The government has been taking significant steps to encourage entrepreneurship as entrepreneurship is the only solution to various problems of developing countries. Entrepreneurship caught strong waves during the last three decades and became a worldwide movement spreading across countries, regardless of their level of development. Even in Europe and United states, revival of small business has been seen for more than a decade. Constant change and innovations are simply a necessity of entrepreneurship and is becoming essential to survive in a globaleconomy. An American magazine. “The Economist’ (1999) recently put it, “Innovation has become the industrial religion of the late 20<sup>th</sup> Century”. It is being increasingly realized that today’s managers and businessmen need not only managerial skills but entrepreneurial skills as well. Entrepreneurship needs to be demystified and transformed into a skill by teaching and practicing. Skill of entrepreneurship knows how to turn an ordinary corporation, managed in a routine manner, into an entrepreneurial organisation. People within the organisation can be trained to:

- (i) defect the opportunities;
- (ii) peruse the opportunities and rewarded;
- (iii) to lesson the consequences of failing;

Entrepreneurship plays a premium mobile role in promoting development of an economy. Hence, it is said that an economy is the effect for which entrepreneurship is the cause. Various levels of economicdevelopment across the countries and even within the country are attributed to their differences in entrepreneurship development.

### EAURES OF ENTREPRENEURSHIP

Entrepreneurship is the tendency of a person to organize the business of his own and to run it profitably, using various traits like leadership, decision making, innovation, managerial caliber etc. Entrepreneurship is a set of activities performed by an entrepreneur. In a way, entrepreneur precedes entrepreneurship. The main features of entrepreneurship as are follows:

**(i) *Economic Activity* :** Although classical economists like Adam Smith and Richard Cantillon and many others didn’t recognize entrepreneurship as an economic activity but



## Entrepreneuship Development

since last few decades entrepreneurship is catching up and is primarily becoming an economic function because it involves creation and operation of an enterprise.

Cantillon also pointed out that entrepreneurship involves conscious decision making about resource allocations. It also implies seeking the best opportunities for using resources for their highest commercial yields. Adam Smith viewed that there was no difference between an entrepreneur and an industrialist. He agreed that economic change could be brought through entrepreneurs.

Entrepreneurship is a continuous economic process which recognizes the need to change and entrepreneur is a key person to initiate any change.

**(ii) Innovative Activity :** Innovation is the process of doing new things. Drucker elaborates: “Innovation..... is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.” Entrepreneurship is innovation where new products, services, ideas and information is produced, new efficient production techniques are introduced by the firms, new market opportunities are identified and better ways of meeting existing demands are looked into. Whenever a new idea occurs, entrepreneurial efforts are essential to convert the idea into practical application. According to Schumpeter, innovation may occur in any of the following ways :

- (a) The introduction of a new good with which the customer is not yet familiar.
- (b) The introduction of a new method of production which is not tested by experience in the branch of manufacture concerned;
- (c) The opening of a new market the customers are not yet familiar with the product and the market for that innovative product has not previously been entered;
- (d) The conquest of new source of supply of raw-material irrespective of the fact whether that source already exists or it has been created.
- (e) The creation of a new organization of an industry a new innovation may create the monopoly for that product or break the monopoly of similar existing product.

**iii. A function of High Achievement.** People differ not only in their ability to do but also in their will to do, or motivation. The motivation, in turn depends on the strength of their motives sometimes defined as needs, wants, drives or impulses within the individuals. McClelland identified two features of entrepreneurship (a) doing things in a different and

## Entrepreneureship Development

better way (b) decision making under uncertainty. He found that looking at the history of industrial development, money of the pioneers who built up industrial empires are strongly motivated by need for power and achievement. Thus, people having high need for achievement and power are more likely to succeed as entrepreneurs and this is a very critical factor that leads one towards entrepreneurship. Researches also show that stable personality characteristic like motive are laid down in childhood.

**iv. Creative and Purposeful Activity.** Creativity is “the ability to bring something new into existence”. The definition emphasizes on “ability” and not the “activity” of bringing something new into existence. A person may conceive of something new and also visualize its usefulness but unless he takes necessary action to convert it into reality, his ideas will not be termed as creative. Innovation is the process of doing new things. Innovation, therefore, is the transformation of creative ideas into useful applications but creativity is a prerequisite to innovation.

Entrepreneurship is virtually a creative and a purposeful activity. The entrepreneur passes through the five stages during the process of entrepreneurship viz. idea germination, preparation, incubation, illumination and verification. Earning profits is never the sole objective but to introduce something new and creative is the purpose of entrepreneurship. The benefits of his creativity are enjoyed by people at large, e.g. Internet benefits are being enjoyed by more than 50 million people world over.

**v. Entrepreneurship : An Organising function.** J.B. Say describes entrepreneurship as an organizing function whereby the entrepreneur brings together various factors of production, ensures the continuing management and renders risk-bearing functions as well. According to J.B. Say, an entrepreneur is one who combines the land of one, the labour of another, and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land, wages to labourers and what remains is his profit. Thus, J. B. Say clearly distinguishes between the role of a capitalist as a financier and the entrepreneur as an organizer. Marshall also advocated the significance of organization among the services of special class of business undertakes.

**vi. Entrepreneurship : A function of risk-bearing.** Richrd Cantillon, an Irishman living in France is credited with giving the concept of entrepreneurship. Cantillon described in his book published in 1755, an entrepreneur as a person who buys things at a certain price and sells them at an uncertain price. Thus, he makes decisions about obtaining and using resources while consequently assuming the risk of enterprise. Thus, Cantillon conceived of an entrepreneur as a bearer of non-insurable risk. According to him, risk-bearing forms an

# **Entrepreneuship Development**

unique constitutive function of entrepreneurship.

## **GROWTH OF ENTREPRENEURSHIP IN PRE-INDEPENDENCE PERIOD**

Entrepreneurial growth in India is as old as Rigveda but there was no manufacturing as such before 1850. This manufacturing entrepreneurship was too confined to cottage & small scale industry. But it could not grow further due to various reasons such as lack of political unity, capital, network of custom barriers, existence of multiple systems of currency.

Emergence of entrepreneurial class is as old as our ancient history itself dating back to the pre-vedic period when the Harappan culture flourished in India. However, history of entrepreneurship and emergence of entrepreneurial class in India may be viewed under the following periods :

1. Period I : Entrepreneurship in ancient period
2. Period II : Entrepreneurship in pre-independence era i.e. before 1850.
3. Period III : Entrepreneurship between 1850-1947
4. Period IV : Entrepreneurship after 1947 & onwards i.e. post independence period.

**1. Period I : Entrepreneurship in Ancient Period :** As per the ancient literature, the ancient Indians took up a variety of commercial vocations akin to present day entrepreneurial activities. The arrival of Aryans opened the first phase of entrepreneurship, with their innovative new crafts and occupations, evolving division of labour for the new handicrafts, breeding of cattle, & cultivating land which were nearly non-existing before them. The ancient literature like Manusmriti gives a more clear picture about the entrepreneurial class of people during pre-vedic period. According to him, vaisyas were the specialized class of people carrying entrepreneurial activities in agriculture, industry & banking sector. During the Gupta & Post-Gupta period, agriculture, crafts and handicrafts comprised the basic sources of occupation for the people.

**2. Period II : Entrepreneurship in Pre-independence Era before 1850 AD :** During the pre- independence period, agriculture was the main occupation of the people of India. Besides agriculture, the bania, Parsis, Cherriars & Gujaratis etc., specialized in the manufacturing of handicrafts, metal works, stone carving & jewellery designing etc. had dominated the industrial entrepreneurship sector in rural areas. These communities actually laid the foundation of entrepreneurship by carrying out trade & commerce activities initially & later by establishing manufacturing centers.

## **Entrepreneuship Development**

British colonialism in India dealt a severe blow to the Indian entrepreneurship & industrial revolution in Great Britain reduced India to the status of material supplier for consumer market for the finished products manufactured in Britain. Due to lack of support from the British Government and its discriminatory policies towards Indian made products, the industrial entrepreneurship suffered a great deal.

**3.Period III : Entrepreneurship during 1850-1947 :** The mid nineteenth century opened up path for rapid industrialization with the introduction of railways in 1853, development of other infrastructural facilities like roads, ports etc. The eastern part of the country witnessed entrepreneurship mainly due to Europeans who engaged in export-oriented industries, like jute, textiles, tea, coal etc. whereas in the western part, entrepreneurship was mostly among the Indians. It is observed that during the last decades of the 18<sup>th</sup> century, the Parsis along with Marwaris & Gujaratis trading castes, took to entrepreneurial behavior. The adoption of the concept of swadeshi & boycott in 1905 to counter the discriminatory policies of the British Government encouraged the Indians to plunge into entrepreneurship. Jamshedji Tata established his first iron & steel industry with the help of 'swadeshi contribution'. Due to the swadeshi movement which emphasized on manufacturing & using indigenous goods by the Indians, indigenous entrepreneurship developed in many types of activities such as textiles, soap, matches, oil, tanneries, potteries, banking, insurance etc.

As such, indigenous entrepreneurship grew at a rapid pace with emergence of entrepreneur classes such as Parsis, Marwaris & Gujaratis in the country on the eve of independence of India.

**4. Period IV : Entrepreneurship in 1947 & onwards – Post-Independence period :** In the post-independence period, the Government identified the need for rapid industrialization with the establishment of heavy & basic industries. The post independence period witnessed the emergence of Marwaris as big investors and industrialists. Before independence, where the Marwaris controlled only 6 companies, after independence, they had 618 directorships which rose to 1/4<sup>th</sup> of the total in 1951. The Monopolies Inquiry Commission in 1964 has mentioned in its report that the Marwaris accounted for 10 large industrial houses out of a total of 37 showing the strength of the Marwaris in the growth of entrepreneurship during this period. The Marwaris community emerged as a giant entrepreneurial class in the post-independence period. The house of Birla, Singhania, Bajaj & others have created their image in the industrial market in the field of industrial development in India.

# LECTURE NOTES

## Entrepreneuship Development

### THEORIES OF ENTREPRENEURSHIP

Entrepreneurial history is left to be interdisciplinary in approach and, thus, it is difficult to label entrepreneurship as purely a theory of economics or sociology or psychology or a anthropology. The concept of entrepreneurship is as old as civilization while the theories of entrepreneurship have been evolved from over a period of more than two centuries.

Theories of entrepreneurship can a broadly be classified into four categories :

- (i) The economist's view
- (ii) the sociologist's view
- (iii) The psychologist's view
- (iv) The anthropologist's view

### Economic Theory

Economics is the social science that deals most directly with contemporary economic reality. Economists have done little work on entrepreneurship and therefore, have tended to be in minority. Economists like Adam Smith and David Richard assigned no significance to entrepreneurial role in economic development. Richard Cantillon (1755) was the first person to recognize the role of entrepreneurs in economic theory. He stated that, "the farmer is an entrepreneur who promises to pay the land owner for his farm or land, a fixed sum of money without assurance for the profit he will derive from his enterprise". He described an entrepreneur as a person bearing risk. He makes profit by buying good at a known price and by selling at an increased higher price but there is always an element of uncertainty in market. Hence, entrepreneur is always at a risk of bearing losses if he would be unable to sell the goods at a higher price. Cantillon stressed on the economic function of entrepreneur over his social status or his personality. JB Say broadened the definition and role of an entrepreneur to include the concept of combining factors of production, also noting that the entrepreneur must have special personal qualities.

The economic theory of entrepreneurship centres around Joseph Schumpeter which is versatile and multi-disciplinary. J. Schumpeter (1934) added the concept of innovation to the theory of entrepreneurship. He visualized the entrepreneurs as the key figure in economic development because of his role in introducing innovations. For Schumpeter, the ability to identify new opportunities in the market is a central entrepreneurial activity which creates disequilibrium in the economy. He states that the entrepreneur is the bearer

## Entrepreneureship Development

of the 'mechanism for change'. Changes can occur from inside and outside the economy. Joseph, in one of his books, attempts to develop a number of economic theories of interest, capital, credit, profit and the business cycle by relating them to the theory of entrepreneurship. He centres the whole new economic theory around the entrepreneur rather than just a theory of the entrepreneur emphasizing the vital role played by the entrepreneur in an economy.

### ii. Sociological Theory

Sociologists suggest that entrepreneurship can be conceptualized as a social movement and entrepreneurs exist not only in the economy but in other spheres of society as well. S. M. Lipset argues that cultural values deeply affect entrepreneurship and the level of economic development. Mark Granovetter points that family ties may create an obstacle for a businessman if he cares for his family too much; but the same strong family feelings can turn into an advantage once the businessman has emigrated – as long as the distant family members stay behind. He also discusses the role of trust in entrepreneurial ventures. According to him, in social groups and societies where people are isolated from each other, it may be difficult to develop the kind of confidence that is absolutely necessary to start a firm or otherwise cooperate in economic matters. Thus, Mark Granovetter emphasizes the role played by society and family-members in growth of entrepreneurship.

According to **Cochran**, the entrepreneur represents society's model personality. His performance depends upon his own attitudes towards his occupation, the role expectations of sanctioning groups and the occupational requirement of the job. Society's values are the most important determinant of attitudes and role expectations.

**Everett. E. Hagen** in his book 'On The Theory of Social Change' (1962) argues that people who have grown up in certain minorities develop a much stronger psychological propensity for entrepreneurship than who have not. Hagen's theory may well contain a grain of truth but his approach is discredited by others. Hagen also concluded that entrepreneurs have emerged from certain communities and castes.

Thus, Hagen disregards the complicated institutional environment that surrounds the entrepreneur.

### iii. Psychological Theory

Psychological theory of entrepreneurship has a fairly high status among social scientists who study entrepreneurship because it is very difficult to single out one or

## Entrepreneuship Development

several psychological traits as typical for the entrepreneurial personality. However, advocates of this theory assert that entrepreneurship is most likely to emerge when a society has sufficient psychological characteristics.

**Joseph Schumpeter states that the entrepreneur is mainly motivated and driven by three things :**

- (i) the dream and the will to found a private kingdom;
- (ii) the will to conquer;
- (iii) the joy of creating;

**J. Schumpeter's formulation can be translated as :**

- (i) the desire for power and independence;
- (ii) the will to succeed;
- (iv) the satisfaction of getting things done.

According to him, money is not what ultimately motivates the entrepreneur. 'Entrepreneurs', according to Schumpeter, 'are certainly not economic men in the theoretical sense'. Thus, he supports the psychological theory and not the economic theory. He asserts that what matters is the behaviour, and not the actor.

According to David McClelland's book *The Achieving Society* (1961), entrepreneurship has to do with an individual's so called need for achievement (referred to as n-Achievement). He identified three features of entrepreneurs that were related to their need for achievement : (1) desire to accept responsibility for solving problems, setting goals and reaching the goals; (2) a willingness to accept moderate risks; (3) a desire to know the outcomes of their decisions. It was widely believed that a high achievement motivation has a strong likelihood of predicting entrepreneurial behaviour. Individuals with high achievement motive tend to take keen interest in situations of high risk, desire for responsibility and a desire for a concrete measure of task performance.

#### iv. Anthropological Theory

Fredrik Barth made his first attempt to develop an anthropological theory of entrepreneurship. According to Barth, entrepreneurship has essentially to do with connecting two spheres in the society, between which there exists a difference in value. Something which is cheap in one sphere, may be expensive in another sphere. Barth, one of the leading anthropologists of the world, states that entrepreneurial behaviour means to

## **Entrepreneureship Development**

connect two different spheres in the society, between which there is a huge discrepancy in value.

Each of the above theories is incomplete and none of them is right or wrong. Theories of entrepreneurship are inter-disciplinary and are influenced by a multitude of factors. It is the integration of external environment, achievement motivation, ability and ambition which largely determines whether an individual become an entrepreneur or not.

### **PROBLEMS IN GROWTH OF ENTREPRENEURSHIP**

Entrepreneurship is a skill, the resultant of a mix of many qualities, traits and competencies. Entrepreneurship must be a cluster of many entrepreneurial people devoted to their respective ventures. Entrepreneurship is nothing unless entrepreneurs give a creative response to the environment and undertake to establish their enterprise. But devoted, imaginative, hard-working creative and competent entrepreneurs are not enough to further the process of entrepreneurship. Entrepreneurship refers to a process of actions taken by entrepreneur in a specific environment. We can say that entrepreneurship is sum total of entrepreneur and his environment. We have studied both the aspects of entrepreneurship – and environment. Let us now study that what is obstructing the growth of entrepreneurship. It is poor entrepreneurs or unhealthy environmental factors or both?

Undoubtedly, entrepreneurship growth in India is slow as compared to other countries. Women's entrepreneurship is still slower and rather negligible. As far as development of entrepreneurship is concerned, the factors responsible for its slow growth are:

- i. Incompetence and poor management;
- ii. Low level of commitment;
- iii. Restriction imposed by custom and tradition;
- iv. Involvement of high risk;
- v. Socio-cultural rigidities;
- vi. Lack of motivation;
- vii. Lack of infrastructural facilities;
- viii. Lack of communication network;
- ix. Absence of entrepreneurial aptitude;
- x. Low status of businessmen;



## **Entrepreneuship Development**

- xi. Market imperfections;
- xii. Legal formalities involved to set up a unit
- xiii. Low quality products
- xiv. Low package of salaries to employees

The reasons or the obstacles are many. An enthusiastic entrepreneur starts his venture with determination but generally ends up with a sick unit. Incompetence of entrepreneur and environmental factors, both are responsible for his failure. Financial institutions are liberally sanctioning loans but the permission to commence production is not given in time resulting into heavy interest and debt burden. Entrepreneurs have to wait for months to get power connection for their unit making this financial position still more grave and pathetic. Although the government has simplified the loan procedures to a great extent but realities are different from theory. The stimulation of entrepreneurship is a function of both internal and external variables. There is no dearth of men with the right blend of vision and practical sense to become successful entrepreneurs. But how to identify such persons without a mistake The magnitude of industrial sickness proves and self-explains the causes of poor growth of entrepreneurship. Everyone cannot become demonstration model like Shehnaz Hussain or Dhirubhai Ambani or like. The right type of climate has to be generated. Once it is existing, entrepreneurship becomes a way of life. A mischievous child cannot be disciplined in a day, similarly, entrepreneurship cannot grow overnight. Growth also depends upon level of development.

Robert L. Garner quotes, “Development is a state of mind. People have to develop themselves before they can change their physical environment and this is a slow process..... it involves changes in relations between classes and races. It requires improvement of governmental organizations and operations; the extension of social institutions, school, courts and health services. Habits of thoughts and conduct are the most stubborn obstacles to development’.”

Similar are problems in the growth of women entrepreneurship. Various problems obstruct the growth of women entrepreneurship.

To name a few, various social factors includes

- (i) lack of education; (ii) dual role of women; (iii) lack of independence; (iv) family burden;
- (v) responsibility of rearing the children and their home work; (vi) unfavouring family background
- (vii) lack of cooperation from spouse and other family members.

# LECTURE NOTES

## Entrepreneuship Development

Similarly, economic factors could be the (i) lack of mobility; (ii) problem of getting the loan sanctioned; (iii) exploitation; (iv) shortage of finance; (v) lack of technical know-how (vi) non-availability of power and raw-material; (vii) insufficient intrastructural facilities etc.

### DIFFERENCE BETWEEN ENTREPRENEURSHIP AND INTRAPRENEUR

	Basis of difference	Entrepreneur	Intrapreneur
1.	Ownership	Entrepreneur is owner of the enterprise.	Intrapreneur is dependent on entrepreneur who performs the task of innovation.
2.	Status	An entrepreneur is independent in his operations.	The intrapreneur is dependent upon entrepreneur.
3.	Capital formation	Entrepreneur himself forms capital	Intrapreneur does not form capital
4.	Risk	Entrepreneur bears the risk involved in an enterprise	An intrapreneur does not fully bear the risk involved in an enterprise.
5.	Operation	An entrepreneur operates from outside	Intrapreneur operates from within the organisation.
6.	Guarantee of investment	Entrepreneur gives guarantee to the investors for their investment	Intrapreneur himself is a manager, so he manages from within. Question of guarantee does not arise.
7.	Management	Entrepreneur manages the enterprise from outside.	Intrapreneur is a professional manager.
8.	Professional qualification	Entrepreneur need not possess professional qualification	Intrapreneur must possess professional qualification.

### TYPES OF ENTREPRENEURSHIP

There are various types of entrepreneurship which are as follows :-

#### (i) Small business entrepreneurship

Today, the overwhelming number of entrepreneur and startups in the United States are still small business. There are 5.7 million small business in the U.S. They make up 99.7% of all companies and employ 50% of all non-governmental workers.

## **Entrepreneuship Development**

Small businesses are grocery stores, hair dressers, consultants, travel agents, internet commerce store fronts, carpenters, plumbers, electricians, etc. They are any one who runs his/her own business. They hire local employees or family. Most are barely profitable. The definition of success is to feed the family and make a profit not to take over an industry or build a 100 mn business. As they can't provide the scale to attract venture capital they fund their business via friends/family or small business loans.

### **(ii) Scalable startup entrepreneurship**

Unlike small business, scalable startups are what silicon valley entrepreneurs and their venture investors do. These entrepreneurs start a company knowing from day one that their vision could change the world. They attract investment from equally crazy financial investor – venture capitalists. They hire the best and the brightest. Their job is to search for a repeatable and scalable business model when they find it, their focus on scale requires even more venture capital to fuel rapid expansion. Scalable startups in innovation clusters make up a small percentage of entrepreneurs and startups but because of the outsize returns, attract almost all the risk capital.

### **(iii) Large company entrepreneurship**

Large companies have finite life cycles. Most grow through sustaining innovation, offering new product that are variants around their core products, shares in customer tastes, new technologies, legislation, new competitors, etc. can create pressure for more disruptive innovation – requiring large companies to create entirely new products sold into new customers in new markets. Existing companies do this by either acquiring innovative companies or attempting to build a descriptive product inside. Ironically, large company size and culture make disruptive innovation extremely difficult to execute.

### **(iv) Social entrepreneurship**

Social entrepreneurs are innovators who focus on creating products and services that solve social needs and problems. But unlike scalable startups their goal is to make the world a better place not to make market share or to create to wealth for the founders. They may be non-profit, for profit, or hybrid.

### **ENTREPRENEURIAL TRAITS OR COMPETENCIES.**

There has been a controversy on what it takes to be a successful entrepreneur. Some people argue that entrepreneurs are born with the right personality attributes and others insist that any one can be taught to be an entrepreneurs. In view of above controversy in order to understand clearly what it takes to be a successful entrepreneurs

## **Entrepreneuship Development**

research institutions and behavioural scientists through their research studies have tried to resolve the interiorly on what makes a successful entrepreneur. Following is a lot of major competencies as identified by the Entrepreneurship Development Institute of India (EDI) Ahmedabad.

1. **Initiative :-** The entrepreneur initiates a business activity i.e. he takes the first step to start an enterprise. He takes initiative that goes beyond enterprise establishment or the demand of the situation. For example, he does things before being asked or forced by the situation.

2. **Passion :-** The entrepreneur should possess passion for his enterprise. He therefore, develop more than a casual interest in the enterprise so that the could overcome various hurdles and obstacles coming on the way of starting an enterprise. Available evidence indicate that without passion or consuming interest, business will not succeed. Such a personal or emotional or consuming commitment to do some thing by giving full try is an example of 'passion'.

3. **Tenacity despite failure**

Because of the hurdles and obstacles that must be overcome, the entrepreneur must be persistent and must not give up easily. Many successful entrepreneurs succeeded only after they had failed several times. It has been said that successful entrepreneurs do not have failures. They have learning experiences.

4. **Self-confidence**

Entrepreneur is a strong believer in his strength and abilities. He believes that he possesses the ability to accomplish whatever he sets out to do and achieve. The confidence is not unfounded however. The entrepreneur who believes that "He can" becomes successful.

5. **Sheer grit and strong determination**

The life history of successful entrepreneurs reveals that they are characterized by self motivation and strong determination in their goal. They act out of choice. They are never victim of fate. The entrepreneur believes that the success or failure depends on his own actions. This quality is known as "internal locess of control". A person who believes that fate and other outside factors determine success has an external locus of control and is not likely to succeed as an entrepreneur.

# LECTURE NOTES

## Entrepreneureship Development

### 6. Creativity

One of the reason that entrepreneurs are successful is that they have imagination and can envision alternative scenarios. They have the ability to recognize opportunities that other people do not see. Here again let us take the example of Henry Ford.

### 7. Change Seeker

To the most of people change is often frightening and is something to be avoided. But, successful entrepreneurs see change as normal and necessary. Therefore, they search for change, respond to it and exploit it as an opportunity. In fact, this exploitation of change is the basis of innovation. In economics, change is considered a prerequisite for improvement and development.

### 8. High need for achievement

Many studies have shown that the successful entrepreneurs have 'high need for achievement' than the general population. David. C. McClelland considers it the most crucial element to become an entrepreneur. It is the high need for achievement which makes entrepreneurs act on their ideas. The achievement motive is converted into drive and initiative that results in accomplishment.

### 9. Team spirit

Successful entrepreneurs build team and work with teammates. In simple words, team is a group of individuals who work in a face-to-face relationship to achieve a common goal. They share collective accountability for the outcome of the team's effort. Working in teams creates synergy and achieves success in its endeavours. While appreciating the role of team spirit in success. Henry Ford's view seems worth citing "Bringing people together is beginning, keeping people together is progress and working with people is success".

**10. Information Seeker.** A successful entrepreneur always keep his eyes and ear open and is receptive to new ideas which can help him in realizing his goals. He is ready to consult expert for getting their expert advise.

**11. Quality Consciousness.** Successful entrepreneur always keep his eyes and ear open and is receptive to new ideas which can help him in relishing his goals. He is ready to consult expert for getting their expert advise.

**12. Proper Planning.** Successful entrepreneurs develop or evolve future course of action keeping in mind the goals to be realized. They believe in developing relevant and

## Entrepreneureship Development

realistic plans and ensure proper execution of the same in their pursuit of attaining their goals.

**13. Problem Solver.** Successful entrepreneurs take problem as a challenge and put in their best for finding out the most appropriate solution for the same. They will first of all understand the problem and then evolve appropriate strategy for overcoming the problem.

**14. Assertive.** An assertive person knows what to say, when to say, how to say and whom to say. He believes in his abilities and ensures that others fall in line with his thinking, aimed at promoting the interests of the organization.

**15. Effective Monitoring.** Top performers ensure that everything is carried out in their organizations as per their wishes. They ensure regular monitoring of the working so that the goals of the organization are achieved in best possible manner.

**16. Employees Welfare.** Future of the organisation depends on its employees. If the employees are dedicated, committed and loyal, the organization is bound to perform well. A successful entrepreneur tries to promote organization's interests through promotion of interests of the workers. He takes personal interest in solving problems confronting workers and generates the feeling that there is interdependence of the interests for workers and the management.

### MEANING OF MOTIVATION

Motivation is the inner urge of a person that ignites and sustains behaviour to satisfy need of himself as well as of the society. Motivation has been derived from the Latin word "Motive" which implies the inner state of mind that activates, provokes and directs our behaviour towards the goal.

### DEFINITION OF MOTIVATION

According to Mcfarland, "Motivation refers to the way in which urges, drives, desires, striving, aspirations or needs, direct or explain the behaviour of human beings". Thus entrepreneurial motivation may be defined as the process that motivates an entrepreneur into action and induces him to follow the course of action till the goals are not achieved finally or till the establishment of an well-established enterprise. In a nut shell motivation includes motives, behaviours and goals.

"A motive is an inner state that energizes, activates or moves and that directs behaviour towards goals". – Bernard and Steiner

"Motivation is getting people to do. What you want them to do, because they want to do it". –D.D. Eisenhower

# LECTURE NOTES

## Entrepreneureship Development

“A willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organization” – C.B. Memoria

“Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to make a goal directed pattern towards restoring a state of equilibrium by satisfying the need”. – Vitales

### NATURE OF MOTIVATION

**Based on above definitions the following points of nature of motivation emerge :**

1. Motivation refers to the internal feelings of an individual or individual's motives.
2. These emotions, feelings or desires of a person prompt him to work more.
3. Unsatisfied needs of an individual disturb his equilibrium, forcing an individual to resort to goal directed approach.
4. Motivation activates and channelises dormant energies of an individual towards productive action.
5. Motivation is linked to satisfaction. Satisfaction is the feeling of contentment a person experiences out of need fulfillment.
6. An individual is motivated in totality and not in parts.

### TYPES OF MOTIVATION

In order to extract more out of his subordinates a manager will be required to motivate them for performing better. This can be done either by offering them reward for more work or by instilling fear among them in the form of punishment.

**Motivation can be of two types and these are :-**

1. **Positive Motivation.** Workers are tempted to put in their best for achieving the desired objectives. These temptations rewards or incentives can be in the shape of extra pay, promotion, recognition etc. Positive motivation will result in willing cooperation of workers for the attainment of organizational goal.
2. **Negative Motivation.** Negative motivation creates fear or deterrent amongst workers. Fear forces workers to behave in the way the owner wants them to behave.

## Entrepreneureship Development

Workers are coerced to behave in a certain manner, failing which they are threatened with lay offs, demotions, pay cuts etc. Workers work not willingly but out of fear.

Out of the two positive motivation should be preferred as it leads to willing rather than forced cooperation of workers towards the realization of organizational goals.

### IMPORTANCE OF MOTIVATION

Motivation has become all the more important due to the following reasons.

1. **Improved Morale.** Motivation acts as morale booster for employees. Motivated workers are tempted to put in their best for the realization of organizational goals. High Morale will result in more interest in work and higher productivity. It will enable the organisation to produce more at lower costs. It will have overall positive impact on the interests of the various parties linked with the business.
2. **Lower labour turnover.** Motivated employees will never feel like leaving the organisation and as such the firm will be able to utilize the services of trained, committed and loyal workers for longer period of time. Organization will be saved from the botheration of making fresh recruitment, selection, training and placement of workers. Lower labour turnover will result in saving of time, effort and money of the organisation. Rate of absenteeism will be reduced and workers will try to promote organizational interest.
3. **Improved goodwill.** Motivated employees can help the organization in improving its good will or image. A reputed organization is in a position to attract best possible talent from the market. Existing employees won't leave the organization and outsiders will be taken to join.
4. **Cordial Industrial Relations.** A sound motivational system will promote job satisfaction amongst workers. Workers will start identifying their interests with the interests of organization due to positive motivation. The feeling of distrust, conflict or clash of interest will be removed amongst motivated workers. There won't be any strike or lockout in the organization and motivation will ensure cordial industrial relations.
5. **Quality Orientation.** A motivated employee is generally more quality oriented. Everyone from bottom to top or top to bottom takes extra care while performing the assigned work. It leads to overall improvement in the working and people start recognizing the organization as a quality conscious organization.
6. **Acceptability of Change.** An organisation is required to remain in touch with the changing scenario and at the same time take effective steps for making adjustments



## **Entrepreneuship Development**

according to changes. Its survival and future depends upon its ability to cope up with the changes. Motivated employees rather than opposing changes welcome these. They help the owners in converting these changes into opportunities to be exploited in the best possible manner for the promotion of business interests.

### **THEORIES OF MOTIVATION**

Need is the starting point of motivation. A satisfied need does not motivate an individual. It is only the unsatisfied need which creates tension and stimulate drives within the individuals for the satisfaction of the need and reduction of tension. The efforts or actions initiated by the individual will yield results which will lead to satisfaction of need or removal of tension. Classical theories and scientific management thinkers were of the opinion that people were mainly interested in maximizing economic gains as they were primarily concerned with satisfying their basic needs of food, water, air, shelter etc. Thus they tried to link up performance and productivity with monetary rewards or incentives. F.W. Taylor, father of Scientific Management proposed Differential Piece Rate system for motivating workers to work at their level best. The traditional thinkers were mainly concerned with the monetary reward and were treating human beings as mere machines, which do not have any inner feelings or emotions. Under Hawthorne Experiments, it was proved that there was not direct relationship between productivity and economic rewards. Money is an essential condition but not a sufficient one for motivating people to work. Human beings are not machines and they have also social and psychological needs.

Various researchers are actively engaged in finding answer to one basic question i.e. What motivates people? or what makes them work ? Various theories have been propounded by different experts to focus attention on this basic issue.

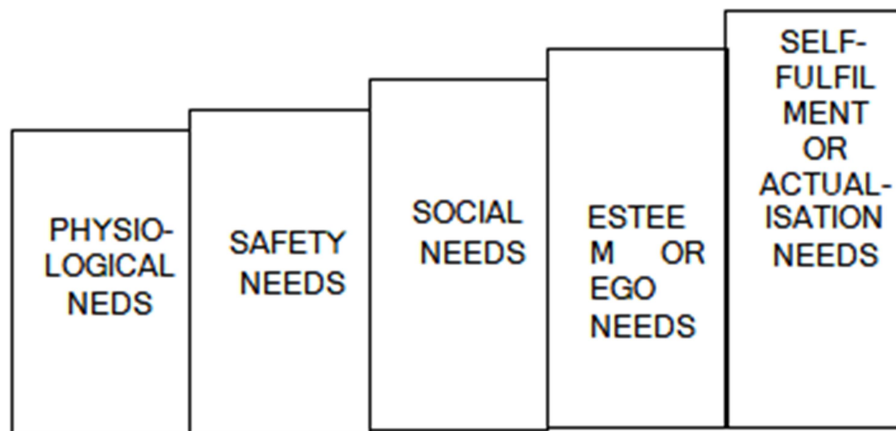
Some of the theories which are prominent and relatively more relevant to entrepreneurship areas under :-

#### **I. MASLOW'S NEED HIERARCHY THEORY**

Maslow's theory is based on human needs. He developed a conceptual framework for understanding human motivation. He was of the opinion that every individual has a complex set of exceptionally strong needs and the behaviour of an individual at a particular moment of time is usually determined by his strongest need. He defined a person's effectiveness as a function of matching man's opportunity with the appropriate position of hierarchy of needs. Process of motivation begins with the assumption that the behaviour, atleast in part, is directed towards the achievement or the satisfaction of needs.

## Entrepreneuship Development

Maslow felt that the 'needs have a definite sequence of domination. Second need does not dominate till first need is reasonably satisfied and third need does not dominate until first two needs have been reasonably satisfied. Man is never fully satisfied, if one need is satisfied the other will arise and so on. Once a need or certain order of needs is satisfied, it ceases to be a motivating factor. Maslow stated that human beings have five basic levels of needs, which they tend to satisfy in a hierarchical manner. He proposed that human needs can be arranged in a particular order from the lower level needs to the highest level needs. This hierarchy of human needs can be shown in the following figure.



Maslow's Need Hierarchy

**These five needs can be discussed as follows :**

- (i) **Physiological Needs :** These needs are basic and are related to survival and maintenance of life. These needs comprise of food water, air, shelter, clothing and other necessities of life. The first priority of human beings is to acquire these basic necessities of life and then move to second level of needs.
- (ii) **Safety and Security Needs :** After satisfying physiological needs, human beings aim at satisfying safety and security needs. Human beings are not content with just satisfying present physiological needs, they want to make provision for the same for future also. They want job security, personal body security, security of source of income, provision for old age, insurance against risks etc. Entrepreneurs just like other human beings are guided by all these factors.
- (iii) **Social Needs :** Man is a social animal and wants to belong to a social group where his social and emotional needs for love, affection, warmth and friendship are satisfied. An entrepreneur too is interested in conversation, exchange of feelings and grievances with

## **Entrepreneureship Development**

fellow entrepreneurs, his employees and others. He wants to belong to others and expects that others should belong to him i.e. the feeling of belongingness.

(iv) **Esteem Needs** : These needs include self respect, self confidence, recognition, appreciation, prestige, power & control These are also known as egoistic needs and affect prestige and status of individuals. Entrepreneur derive status and respect through their ownership and control over their business.

(v) **Self-actualization or Self fulfillment needs** : This is the ultimate goal and involves realizing one's potentialities for continued self development. After other needs are fulfilled a man has the desire for personal achievement. He want to do something which is challenging and since this challenge gives him enough push and initiative to work It is beneficial to him and the society. The sense of achievement gives him psychological satisfaction. An entrepreneur can achieve self actualization in being a successful entrepreneur. Though the impulse to realize one's potential is natural and necessary, only a few usually the gifted ever do so. Maslow himself estimated that less than one percent of the people realize the need for self actualisation.

**Maslow states three reasons for it.**

- (i) People are invariably blind to their own potentialities.
- (ii) Social environment often stifles development towards self fulfilment.
- (iii) The strong negative influence is exercised by the safety needs. The growth process demands a constant willingness to take risks, make mistakes and to break old habits. All these result in breaking the safety barriers.

## **II. MCCLELLAND'S THREE NEED MODEL :**

According to David McClelland, "a person acquires three types of needs as a result of one's life experience. He tends to develop certain motivation drives as a result of his interaction with the environment in which he lives.

**These three needs are :**

1. **Need for achievement.** It is a drive to excel, advance and grow. This refers to one's desire to achieve something with own efforts. People with a high need for achievement derive satisfaction from achieving goals. These people are often wealthy and their wealth comes from their ability to achieve goals. High achievers want immediate

## Entrepreneureship Development

feedback on their performance and they generally undertake tasks of moderate difficulty rather than those which are either very easy or very difficult.

These people prefer to work independently so that successful task performance can be linked to their own efforts rather than to someone else's. McClelland and his associates made specific suggestions for the development of achievement need and these are -

- (i) Give employees periodic feedback on performance. This will provide information that will enable them to modify or correct their performance.
- (ii) Provide good models of achievement. Employees who are successful should be made available for others to emulate.
- (iii) Arrange tasks so that employees can pursue moderate challenges and responsibilities. Avoid tasks that are either very difficult or very easy.
- (iv) As much as possible employees should be able to control their own destiny and imagination. They should be trained to think realistically and positively about how they will accomplish goals.

**2. Need for power.** A drive to influence others and situations. It refers to one's desire to influence and dominate others through use of authority. Achievement of goals is less important than the means by which goals are achieved. Alfred Adler was leading advocate of power motive. He propounded the concept of inferiority complex and compensation. According to him the individual's life style is characterized by striving to compensate for the feeling of inferiority which are combined with innate drive for power. As such there arises need to manipulate others or there is drive for superiority over others. McClelland and his associates have found that people with high power need have a great concern for exercising influence and control. Such type of people generally seek positions of leadership and are forceful, outspoken, hard headed and demanding.

**3. Need for affiliation :** A drive for friendly and close interpersonal relationships. It refers to one's desire to establish and maintain friendly relationship with others. People with affiliation need derive satisfaction from social and inter personal activities. Affiliation plays a very vital role in human behaviour. McClelland has suggested that people with high need for affiliation usually derive pleasure from being loved and tend to avoid pain of being rejected. These individuals are concerned with maintaining pleasant social relationship, enjoying a sense of intimacy and understanding and enjoy assisting or helping others in trouble.

People possess the above needs in varying degrees and these needs may be

## Entrepreneureship Development

simultaneously acting on an individual. In case of entrepreneurs, need for achievement is more dominating.

McClelland is of the opinion that people with high need for achievement are characterized by the following :

- (i) They set moderate, realistic and attainable goals for them.
- (ii) They take calculated risks and look for challenging tasks.
- (iii) They prefer situations where in they can take personal responsibility for solving problems.
- (iv) They need concrete feedback on how well they are doing.
- (v) Their need for achievement exists not merely for the sake of economic rewards or social recognition rather personal accomplishment is intrinsically more satisfying to them.

### III. ALDERFER'S ERG THEORY :

**Clayton Alderfer reformulated Maslow's need hierarchy theory. According to Alderfer, Maslow's five levels of needs can be regrouped under three heads namely Existence, Relatedness and Growth (ERG)**

1. **Existence Needs** : These existence needs combine the physiological and safety needs of Maslow. These existence needs can be satisfied by material or financial incentives and include survival needs, physical & psychological safety etc.
2. **Relatedness Needs** : These include Maslow's social and esteem needs which are derived from other people. These needs are satisfied by personal relations & social interactions.
3. **Growth Needs** : These include Maslow's self actualization needs. These needs will be satisfied only if an individual involves himself in activities of the organisation and is always on the lookout for new challenges and opportunities. Through creative efforts individual can realize his potential by making best use of the available opportunities.

For the proper development of entrepreneurship, Relatedness and Growth needs are more important. Alderfer theory assumes that different types of needs can operate simultaneously whereas Maslow's theory follows a rigid need hierarchical order.

Very little research exists on the ERG theory of motivation. Still there seems to be some support for the theory over the need priority model or the two factor theory of

## **Entrepreneuship Development**

motivation. ERG theory seems to take some of the strong points of the earlier theories, but is less restricting and limiting. Besides disagreement over the exact number of categories of needs persist. Satisfying needs is an important part of motivating employees. If a manager finds that a subordinate's growth needs are blocked, for whatever reasons, he may attempt to redirect employees behaviour towards satisfying relatedness or growth needs.

### **MEANING OF WOMEN ENTREPRENEUR**

Women constitute around half of the total world population. So is in India also. They are, therefore, regarded as the better half of the society. In traditional societies, they were confined to the four walls of houses performing household activities. In modern societies, they have come out of the four walls to participate in all sorts of activities. The global evidences buttress that women have been performing exceedingly well in different spheres of activities like academics, politics, administration, social work and so on. Now, they have started plunging into industry also and running their enterprises successfully. Therefore, while discussing on entrepreneurial development, it seems fit to the context to study about the development of women entrepreneurs in the country. The present discussion therefore, aims at discussing the growth and problems of women entrepreneurs in India. Let us begin with understanding the concept of women entrepreneurs.

### **DEFINITION OF WOMEN ENTREPRENEUR**

“Women entrepreneur according to government of India is an entrepreneur who runs an enterprise owned and controlled by her and having minimum financial interest upto 51% of the capital and giving at least 51% employment to women”.

Thus, women entrepreneur is one who initiates, organizes and operates a business enterprise. In developing countries like India, such innovators are found less in number when compared with other advanced countries.

### **FUNCTIONS OF WOMEN ENTREPRENEURS**

As an entrepreneur, a woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, determination of forms of business organisation competitive of promotional formalities, raising funds, processing men, machines and materials and operation of business.

## **Entrepreneureship Development**

Frederick Harbinson has enumerated the following five functions of a woman entrepreneur:

1. Introduction of innovations or imitation of innovations.
2. Exploration of the prospects of starting a new business enterprise.
3. Supervision and leadership.
4. Undertaking of risks and the handling of economic uncertainties involved in business.
5. Coordination, administration and control.

The fact remains that, like the definition of the term 'entrepreneur', different scholars have identified different sets of function performed by an entrepreneur whether man or woman. All these entrepreneurial functions can be classified broadly into three categories. 1. Risk-bearing, 2. Organisation and 3. Innovations.

### **GROWTH OF WOMEN ENTREPRENEURS**

Women in India constitute around half of the country's population. In the official proclamation, they are at par with men. But, in real life, the truth prevails otherwise. Our society is still male-dominated and women are not treated as equal partners both inside and outside four walls of the house. In fact, they are treated as abla, i.e. weak and dependent on men. As such, the Indian women enjoy a disadvantageous status in the society. Let some facts be given. The much low literacy rate (40%), low work participation rate (28%) and low urban population share (10%) of women as compared to 60%, 52% and 18% respectively of their male counterparts well confirm their disadvantageous position in the society. Our age old-cultural traditions and taboos arresting the women within four walls of their houses also make their conditions more disadvantageous. These factors combined by serve as non-conducive conditions for the emergence and development of women entrepreneurship is expectedly low in the country. This is well indicated by a dismally low level of women (5.2%) in total self-employed people in the country.

In India, women entry into business is a new phenomenon. Women entry into business, or say, entrepreneurship is traced out as an extension of their kitchen activities mainly to 3 Ps, viz, Pickles, Powder and Pappad. Women in India plunged into business for both pull and push factors. Pull factors imply the factors which encourage women to start an occupation or venture with an urge to do something independently. Push factors refer to those factors which compel women to take up their own business to tide over their economic difficulties and responsibilities. With growing awareness about business and spread of education among women over the period, women have started shifting from 3Ps to engross to 3 modern Es., viz, Engineering., Electronic and Energy. They have excelled in these activities. Women entrepreneurs manufacturing solar cookers in Gujarat,

## Entrepreneureship Development

small foundries in Maharashtra and T.V. capacitors in Orissa have proved beyond doubt that given the opportunities, they can excel like their male counterparts. Smt. Sumati Morarji (Shipping Corporation), Smt. Yamutai Kirloskar (Mahila Udyog Limited), Smt. Neena Malhotra (Exports) and Smt. Shahnaz Hussain (Beauty Clinic) are some exemplary names of successful and accomplished women entrepreneurs in our country.

According to a survey, Bengaluru seemed to be the nation's top incubator for women entrepreneurs, followed by Delhi, Chennai, Mumbai, Hyderabad, Pune and Ahmedabad. The major areas of their business are professional services, IT, Apparels, Travel, Media, Manufacturing etc. Statistics showed that most women entrepreneurs had small to medium sized enterprises and more than 70% had less than 5 employees working for them.

### PROBLEMS OF WOMEN ENTREPRENEURS

Women entrepreneurs encounter two sets of problems, viz, general problems of entrepreneurs and problems specific to women entrepreneurs. These are discussed as follows:

1. **Stiff completion :** Women entrepreneurs do not have organizational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face stiff competition for making their products with both organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.
2. **Family ties :** In India, it is mainly a women's duty to look after the children and other members of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business. Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.
3. **Male-dominated society :** Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But in practice, women are looked upon as abla, i.e. weak in all respects. Women suffer from male reservations about a woman's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.
4. **Problem of finance :** Finance is regarded as "life-blood" for any enterprise, be it



## Entrepreneuship Development

big or small. However, women entrepreneurs suffer from shortage of finance on two counts. Firstly, women do not generally have property in their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited. Secondly, the banks also consider women less creditworthy and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any, and loans from friends and relatives which are expectedly meager and negligible. Thus women enterprises fail due to the shortage of finance.

**5. Scarcity of raw material :** Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this is the high prices of raw material on the one hand, and getting raw material at the minimum of discount, on the other. The failure of many women co-operatives in 1971 engaged in basket making is an example of how the scarcity of raw material sounds the death-knell of enterprises run by women.

**6. Limited mobility :** Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon with suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials' humiliating attitude towards women compels them to give up the idea of starting an enterprise.

**7. Low risk-bearing ability :** Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.

**8. Lack of education :** In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also lack of education causes low achievement motivation among women. Thus, lack of education creates problems for women in setting up and running business enterprises.

**9. Legal formalities :** Women entrepreneurs find it extremely difficult to comply with various legal formalities in obtaining licenses etc.

In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socio-economic constraints also hold the women back from entering into business. According to

## **Entrepreneuship Development**

Pandit Jawahar Lal Nehru, the then Prime Minister of India, “When woman moves forward, the family moves, the village moves and the nation moves”.

### **REMEDIES FOR THE PROBLEMS OF WOMEN ENTREPRENEURS**

Once an enterprise starts, the difference between a male and female must be forgotten because an entrepreneur is an entrepreneur, business is business and profit and loss strictly depend upon entrepreneurial competencies. In order to make the women entrepreneurs to start the business venture, the following measures can be taken :

1. **Proper supply of raw materials** : Women entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by women entrepreneurs cost competitive and reasonable.
2. **Creation of finance cells** : The Financial Institutions and banks which provide finances to entrepreneurs must create a special cell for providing easy finance to women entrepreneurs. For the convenience of such entrepreneurs, these cells should be manned by female staff.
3. **Changing the social attitudes** : It is absolutely necessary to change the negative social attitudes towards women. The elders particularly mothers and mother-in-law, need to be made aware of the potentiality of the girls and their role in the family and society. Unless the social attitudes are made positive through education and awareness programmes, the women entrepreneurs cannot get the required support from their family members.
4. **Concessional rate of interest** : The women entrepreneurs should be provided finance at concessional rates of interest and at easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to women entrepreneurs.
5. **Setting up marketing co-operatives** : Proper encouragement and assistance should be provided to women entrepreneurs for setting up marketing co-operatives. These cooperatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remunerative prices. Hence, middlemen can be avoided and women entrepreneurs can derive maximum benefits of enterprises.
6. **Offering training facilities** : Training is essential for the development of entrepreneurship. It enables the women entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise. Additional facilities like stipend, good hygienic crèches, transport facilities etc. can be offered to attract more and

## **Entrepreneureship Development**

more women entrepreneurs. Presently, the economically weaker entrepreneurs of the society are offered such training facility under Prime Minister's Rozgar Yojana (PMRY). FICCI, Lions club, Rotary club and other voluntary organizations can also arrange such training programmes for women entrepreneurs.

Thus, proper education, comprehensive training, setting up of separate financial cells, development of marketing co-operatives to a large extent will help to flourish the women entrepreneurship in India. Further, both government and non-government agencies should play an important role to solve the problems of women entrepreneurs.

### **SUMMARY**

- The word 'entrepreneur' is derived from French word 'Entrepreneur' which was used to designate an organizer of musical or other entertainment.
- Entrepreneur is a person of telescopic faculty drive and talent, who perceives business opportunities and promptly seizes them for exploitation.
- An entrepreneur has to perform a number of functions right from the generation of idea upto the establishment of an enterprise.
- Entrepreneurship is a set of activities performed by an entrepreneur. Entrepreneurship is influenced by economic, social and psychological factors.
- A successful entrepreneur must be a person with technical competence, initiative good judgement, Intelligence leadership qualities, self-confidence, energy, attitude, creativeness, fairness, honesty, tactfulness and emotional stability.
- The particular set of cultural arrangements adopted by a society is influenced by the physical environmental factor as well as man's attitude and desire to improve his habitat.
- The culture of a given society is also influenced by contacts with other cultural groups.

# **Entrepreneureship Development**

## **SELF ASSESSMENT QUESTIONS**

1. Explain in brief the concept of entrepreneur.
2. Give various definitions of entrepreneur.
3. Enumerate the characteristics of entrepreneur.
4. Distinguish between entrepreneur and manager.
5. Explain in brief the functions of entrepreneurs.
6. Explain in brief classification of entrepreneurs.
7. Explain in brief the concept of entrepreneurship.
8. Explain in brief the evolution of concept of entrepreneurship in India.
9. Explain in brief the role of entrepreneurship in economic development.
10. Write a note on barriers of entrepreneurship.
11. Write the short notes on entrepreneurship culture.
12. Define motivation and discuss its importance.
13. Discuss various theories of motivation.
14. Define women entrepreneur and discuss its functions.
15. Define various problems of women entrepreneurs.
16. What are the remedies for the problem of women entrepreneur.