

Chapter :-1

ENTREPRENEURSHIP

I.1 INTRODUCTION

Entrepreneurship refers to the general trend of setting up of new enterprises in a society. Entrepreneurship is also the process of developing hidden potential in a person to become an entrepreneur.

I.2 MEANING OF AN ENTREPRENEUR

According to Webster dictionary an entrepreneur is defined as “an individual who forecasts future demand for a product or service and arranges a business enterprise to respond to their demand.”

I.3 CHARACTERISTICS OF AN ENTREPRENEUR

On the basis of different studies the following common points have emerged which are essential for a successful entrepreneur:

- I. Initiator : As per the demand of the situation, the entrepreneur takes initiative to start a new enterprise.
- II. Opportunity seeker : The entrepreneur, like a watch log, always remains in search of right business opportunities to convert them into projects and profits.
- III. Information seeker : He is ready to learn from the experiences of others and enriches his business information to help him reach the goal.
- IV. Persistent : An entrepreneur follows the saying ‘try and try again, you will succeed at last.’
- V. Committed to work : An entrepreneur accords the utmost priority to accomplish the work.
- VI. Self-confident : An entrepreneur is a strong believer in his strengths and weaknesses.
- VII. Assertive : An entrepreneur is able to assert his issues, whatsoever these might be, in the interest of his enterprise.

I.4 FUNCTIONS OF AN ENTREPRENEUR

1. INNOVATION:

Innovation may occur in the following :

- a) Introduction of a new product or new quality of an existing product.
- b) Introduction of new methods of production and distribution.
- c) Opening of a new market.
- d) Conquest of a new source of raw materials.

2. RISK TAKING:

An entrepreneur assumes the responsibility for loss that may arise due to unforeseen contingencies in future.

3. ORGANISATION BUILDING :

An entrepreneur brings together various factors of production, organises them properly and performs the decision making functions of administration.

I.5 NEED OF ENTREPRENEURSHIP

An entrepreneur plays a vital role in the industrial and economic development of a locality, region and a nation. Entrepreneurs serve as the catalysts in the alone cannot lead to economic development, unless technological breakthrough are put to economic use by entrepreneurs.

- i. Capital formation : Entrepreneurs mobilise the idle savings of the public for productive utilisation of national resources.
- ii. Improvement in per capita income : Entrepreneurs are opportunity seekers. They convert the latent and idle resources like land, labour and capital into national wealth in the form of goods and services. This helps to increase per capita income which is an important yardstick for measuring economic growth of a country.
- iii. Development of entrepreneurial culture: Many persons may be tempted to become entrepreneurs when they see a successful entrepreneur nearby.
- iv. Competitive market : entrepreneurs usually start small scale industries and provide goods and services at most competitive rates and hence restrict the monopolistic activities of big national resources.
- v. Social development : Due to the efforts of entrepreneurs economic progress of the different regions take place which is accompanied.

I.6 BASIC COOMPONENTS OF ENTREPRENEURSHIP

1. Technology
2. Finance
3. Sales and marketing

I.7 TYPES OF ENTREPRENEURS

Entrepreneurs are classified into following four types :

- i. Innovative entrepreneurs
- ii. Imitative entrepreneurs
- iii. Fabian entrepreneurs
- iv. Drone entrepreneurs

I.8 INTRAPRENEUR

The entrepreneurs emerging from within the confines of an organisation are called 'intrapreneurs'. The intrapreneurs are top executives encouraged to catch hold of new ideas to convert them into products.

1.9 INTRAPRENEURSHIP versus ENTREPRENEURSHIP

| BASIS FOR COMPARISON | ENTREPRENEUR | INTRAPRENEUR |
|-----------------------------|---|--|
| Meaning | Entrepreneur refers to a person who set up his own business with a new idea or concept. | Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc. |

| BASIS FOR COMPARISON | ENTREPRENEUR | INTRAPRENEUR |
|-----------------------------|---------------------|--|
| Approach | Intuitive | Restorative |
| Resources | Uses own resources. | Use resources provided by the company. |
| Capital | Raised by him. | Financed by the company. |
| Enterprise | Newly established | An existing one |

I.9 ENTREPRENEURSHIP DEVELOPMENT PROGRAMME

Entrepreneurship is the name given to the factors of production which perform the function of 'enterprise'.

The basic objectives of entrepreneurial development programme can be stated as follows:

- i. To select the product for development production.
- ii. To formulate the project report.
- iii. To know about the support for launching the enterprise.
- iv. To provide the basic managerial skills to the entrepreneurs.
- v. To let the entrepreneurs know the pros and cons of being an entrepreneur.

I.10 BARRIERS IN ENTREPRENEURSHIP

Following factors are responsible for the failure of an enterprise :

1. Management factors
 - a. Incompetency
 - b. Inexperience in line
 - c. Inexperience in management
2. Production factors
 - a. Poor raw materials
 - b. Lack of technical knowhow
 - c. Frequent power cuts
 - d. Labour problems
3. High fixed cost
 - a. Heavy investment in land and building.
 - b. Market borrowing at high interest.
4. Marketing Problems
 - a. Low quality of finished goods
 - b. Recession

5. Financial problems
6. Neglect of business, fraud or disaster etc.

I.11 SOLE PROPRIETORSHIP

According to Wheeler, "the sole proprietorship is that form of business organisation which is owned and controlled by a single individual. He receives all the profits and bears all the risks in the success or failure of the enterprise."

Salient features of sole proprietorship:

- i. Single ownership.
- ii. One man control.
- iii. Unlimited liability.
- iv. Undivided risk.
- v. No separate legal entity of the firm.

Merits of sole proprietorship:

- i. One man control i. e. independent control.
- ii. Ease of formation.
- iii. Quick decisions.

Demerits of sole proprietorship:

- i. Limited funds.
- ii. Limited scope of expansion.
- iii. Lack of specialisation.
- iv. Unlimited liability.

The sole proprietorship is suitable in the following cases:

- i. Where small amount of capital is required i.e. sweet shop, bakery.
- ii. Where quick decisions are very important i.e. share brokers.
- iii. Where limited risk is involved i.e. confectionery.
- iv. Where fashion changes quickly.

I.12 PARTNERSHIP FIRMS

According to Partnership Act, 1932 "partnership is the relation between persons who have agreed to share the profits of a business carried on by all or anyone of them acting for all".

Characteristics of partnership firms:

- i. Two or more persons.
- ii. Agreement-written or oral.
- iii. Lawful business.
- iv. Sharing of profits.
- v. Unlimited liability.
- vi. No separate legal entity of the firm.

MERITS OF PARTNERSHIP FIRMS

- i. Ease of formation.
- ii. Larger financial resources.

- iii. Specialized and balanced approach.
- iv. Personal interest and supervision.
- v. Chances of survival more.

DEMERITS OF PARTNERSHIP FIRMS

- i. Unlimited liability.
- ii. Limited resources.
- iii. Lack of harmony.
- iv. Non-transferability of interest.

I.13 NEED OF INSTITUTIONAL SUPPORT FOR NEW ENTREPRENEUR

An entrepreneur interested to start a new enterprise has to face a number of problems and may have to run from pillar to post and spent a lot of time and energy to get his problems solved. Some new entrepreneurs may be totally raw and may not have much knowledge on production, marketing and finance etc.

I.14 TYPES OF ASSISTANCES AVAILABLE TO ENTREPRENEURS FROM DIFFERENT

For developing entrepreneurship, different agencies provide various types of assistances that can be studied under the following categories:

- i. Industrial sheds.
- ii. Registration with state directorate of industries.
- iii. Financial assistance.
- iv. Machinery on instalments.
- v. Marketing assistances.

I.15 VARIOUS INSTITUTIONS PROVIDING SUPPORT TO SMALL ENTRPRENEURS

The following are the institutions which provide different types of support to small entrepreneurs;

- i. Commercial Banks
- ii. State Financial Corporations
- iii. District Industry Centers
- iv. National Small Industries Corporation
- v. Technology Business Incubator

Chapter:-2

MARKET SURVEY AND OPPORTUNITY IDENTIFICATION

2.1 SCANNING OF BUSINESS ENVIRONMENT

Business environment scanning can be defined as “the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or a even a total market.”

The six environmental factors of PESTEL analysis are the following:

- P - Political factors
- E - Economical factors
- S - socio-cultural factors
- T - Technological factors
- E - Environmental factors
- L - Legal factors

2.2 INPUTS REQUIRED FOR A NEW ENTREPRENEUR

A New entrepreneur may not be possessing all the qualities, characteristics, skills and talent required for a successful entrepreneur. He may not be an expert in tackling all the problems related to his new enterprise.

Apart from this, the entrepreneur may be given some input training on the followings:

- a) Behaviour modification techniques
- b) Identifications of business opportunity
- c) Project report preparation
- d) Financial aspects
- e) Accounts

2.3 DATA COLLECTION FOR SETTING UP SMALL VENTURES

(MARKET SURVEY)

During the preliminary stages of project planning, a new entrepreneur needs lot of informations on various aspects of the proposed project.

The data to be collected for setting up new ventures may be classified into following heads:

1. Raw materials data

2. Machinery and equipments data
3. Market data
4. Financial data
5. Personnel data
6. General data

2.4 ASSESSMENT OF DEMAND AND SUPPLY IN POTENTIAL AREAS OF GROWTH (SALES FORECASTING)

The entrepreneur is required to know the demand of the product likely to be manufactured. In other words, he must know the estimate of sale potential of the firm in future. All the manufacturing units are based on the sale forecasts.

2.5 IMPORTANCE OF ASSESSMENT OF DEMAND & SUPPLY

- i. It helps to determine production volumes considering availability of facilities like equipment, capital, manpower etc.
- ii. It facilitates in deciding the extent of advertising etc.
- iii. Sales forecast helps in preparing production and purchasing schedules

2.6 FACTORS FOR SALES FORECASTING

- i. Competition
- ii. Changes in technology
- iii. Government policies
- iv. Factors related to the concern itself

2.7 METHODS USED FORECASTING THE DEMAND

1. Customer's views
2. Salesmen's opinion
3. Trends projections

2.8 IDENTIFYING BUSINESS OPPORTUNITY

To establish an enterprise, one needs a situations in which his ideas can be converted into project and profits. One has to catch the right opportunity and use this opportunity in his favour to establish a new enterprise. But before selecting an opportunity, the entrepreneur has to ensure two things:

- a) There must be a good demand for the product he is going to design
- b) There must be a good returns on the investment

2.9 CONSIDERATIONS IN PRODUCT SELECTION

It is the first step towards a successful venture that the product to be manufactured is profitable.

The product to be selected must meet one of the following criteria:

- a) The product is the pioneer in the market and will satisfy a presently unserved need
- b) The product is such that for which there is already more demand than the existing supply in market

The following factors must be considered in product selection:

- a) Present market
- b) Scope of growth of market
- c) Costs
- d) Availability of main production factors
- e) Risks