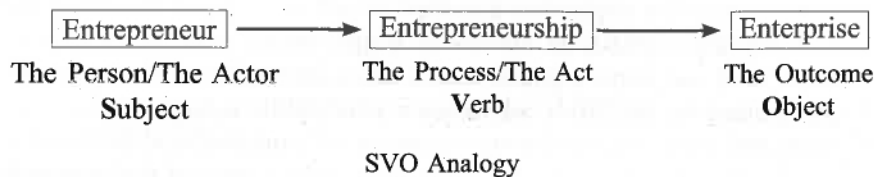


ENTREPRENEURSHIP DEVELOPMENT

STUDY NOTES

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



- **The Concept of Entrepreneurship**

The term 'entrepreneur' was first introduced in economics by the early 18th century French economist Richard Cantillon. In his writings, he formally defined the entrepreneur as the "agent who buys means of production at certain prices in order to sell the produce at uncertain prices in the future". Since then, a perusal of the usage of the term in economics shows that entrepreneurship implies risk/uncertainty bearing; coordination of productive resources; introduction of innovations; and the provision of capital.

- **Definition of Entrepreneurship**

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

- **Characteristics of Entrepreneurship:**

- Systematic Activity
- Innovation
- Risk-taking
- Lawful and Purposeful Activity
- Organisation of Production

- **Need for Entrepreneurship:**

Every country, whether developed or developing, needs entrepreneurs. Whereas, a developing country needs entrepreneurs to initiate the process of development, the developed one needs entrepreneurship to sustain it. The need for entrepreneurship arises from the functions the entrepreneurs perform in relation to the process of economic development and in relation to the business enterprise.

- **Functions of Entrepreneurs in Relation to Economic Development**

- Contribution to GDP
- Capital Formation
- Generation of Employment
- Generation of Business Opportunities for Others
- Improvement in Economic Efficiency
- Increasing the Spectrum and Scope of Economic Activities
- Impact on Local Communities
- Fostering the Spirit of Exploration, Experimentation and Daring

- **Role and Functions of Entrepreneurs in relation to their enterprise**

- **Developing Exchange Relationships**

- (a) Perceiving market opportunities
 - (b) Gaining command over scarce resources
 - (c) Purchasing inputs
 - (d) Marketing of Products and responding to competition

- **Political Administration**

- (a) Dealing with public bureaucracy (approvals, concessions, taxes)
 - (b) Managing human relations within the firm
 - (c) Managing customer and supplier relations.

- **Management Control**

- (a) Managing finance
 - (b) Managing production

- **Technology**

- (a) Acquiring and overseeing assembly of the factory
 - (b) Industrial engineering (minimizing inputs with a given production process)
 - (c) Upgrading the production process and product quality
 - (d) Introducing new production techniques and products.

- **Process of Setting up a Business**

- (a) Scanning the environment for entrepreneurial opportunities
 - (b) Development of product/service idea
 - (c) Assessment of feasibility of the idea and preparation of a business plan
 - (d) Appraisal by the funding agencies
 - (e) Resource Mobilisation
 - (f) Project Commissioning and launch
 - (g) Adaptation and management of growth

- **Feasibility Analysis**

Feasibility analysis, also known as Feasibility Study, intends to equitably and logically examine the pros and cons of an existing or a proposed business, dangers related to the venture and to check if the project will work or not, feasibility study is the base for making a business plan.

- Technical
 - Administrative/Legal
 - Economic
 - Commercial
 - Financial

- **The process of Entrepreneurship Development**

Entrepreneurship does not emerge spontaneously. Rather it is the outcome of a dynamic process of interaction between the person and the environment. Ultimately the choice of entrepreneurship as a career lies with the individual, yet he must see it as a desirable as well as a feasible option. In this regard, it becomes imperative to look at both the factors in the environment as well as the factors in the individual as having a bearing on the perception of desirability and feasibility and thereby entrepreneurship development. One may, therefore, model the process of entrepreneurship development in terms.

In general, a capitalist economy with its emphasis on individual achievement is more suitable for entrepreneurship. Lower rates of taxation on personal income, lower rates of interest and moderate inflation stimulate entrepreneurial activity.

- **Layout of Business Plan**

- (a) Executive Summary
 - (b) Business/industry background
 - (c) Product/service to be offered
 - (d) Market analysis

- (e) Sales and marketing strategy
- (g) Management
- (i) Funds required
- (k) Use of the sales proceeds
- (m) Appendices, e.g., Reports on Market Survey, Financial Statement, Track Record etc.
- (f) Production/operations strategy
- (h) Risk factors
- (j) Return on and off investment and exit routes
- (l) Financial summaries

● **Entrepreneurial Competencies**

Competency means helping someone to perform better than others, The term ‘competence’ refers to a composite of knowledge, skills and a host of psychosocial attributes (including Attitudes and Motivation in a person that marks his/her effectiveness for a task.

- **Persistence:** A ‘never say die’ attitude, not giving up easily, striving continuously until success is achieved.
- **Information seeking:** Knowing and knowing who knows, consulting experts, reading relevant material and an overall openness to ideas and information.
- **Concern for High Quality of Work:** Attention to details and observance of established standards and norms.
- **Commitment to Work Contract:** Taking personal pains to complete a task as scheduled. attending to production, marketing and financial aspects (parts) of the overall business strategy (the whole).
- **Problem-solving:** Observing the symptoms, diagnosing and curing.
- **Self-confidence:** Not being afraid of the risks associated with business and relying on one’s capabilities to successfully manage these.
- **Assertiveness:** Conveying emphatically one’s vision and convincing others of its value.

● **Entrepreneurial Motivation**

- **Need for Achievement (N-Ach.):** Need for achievement implies a desire to accomplish something difficult.
- **Need for Power (N-Pow):** Need for Power is the concern for influencing people or the behaviour of others for moving in the chosen direction and attaining the envisioned objectives.
- **Need for Affiliation (N-Aff.):** Often you must have heard your parents saying that whatever they do they do it for their children. If a man thinks about interpersonal relationships, he has a concern for affiliation.
- **Need for Autonomy (N-Aut.):** The need for autonomy is a desire for independence and being responsible and accountable to oneself rather than some external authority for performance.

● **Entrepreneurial Values and Attitudes**

Entrepreneurial values and attitudes refer to the behavioural choices individuals make for success in entrepreneurship.

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

1. Careful monitoring of an organisation’s internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans. The above process is known as:
 - (a) SWOT analysis
 - (b) Cost benefit analysis
 - (c) Scanning the environment
 - (d) BEP analysis
2. Entrepreneurial behavior requires certain knowledge, skills or personality profile. It may be defined as underlying characteristics of a person which results in effective and/or superior performance in a job. It plays a key role in the success of an entrepreneur and in achievement of entrepreneurial goals:
 - (a) Competence
 - (b) Profit
 - (c) Risk
 - (d) Earning
3. How fear of failure affect a person to start his/her own enterprise?
 - (a) Barriers to Becoming an Entrepreneur
 - (b) Motivation to start own enterprise
 - (c) Power to earn money
 - (d) Easy start up of business

4. Entrepreneurs undertake
 - (a) Calculated risk
 - (b) High risk
 - (c) Low risk
 - (d) Moderate and calculated risk
5. In economics, which of the following is not a function of the entrepreneur?
 - (a) Risk-taking
 - (b) Provision of capital and organization of production
 - (c) Innovation
 - (d) None of these
6. Which of the following statements does not clearly distinguish between entrepreneurship and management?
 - (a) Entrepreneurs found the business; managers operate it
 - (b) Entrepreneurs are the owners of their business; managers are employees
 - (c) Entrepreneurs earn profits; managers earn salaries
 - (d) Entrepreneurship is once for all activity; management is a continuous activity
7. In the roles and functions of the entrepreneur identified by Kilby, which of the following is not an aspect of 'political administration'?
 - (a) Dealing with public bureaucracy
 - (b) Managing human relations within the firm
 - (c) Introducing new production techniques and products
 - (d) Managing customer and supplier relations
8. Which one of the following is the correct meaning of enterprise?
 - (a) A business which is established after undertaking the process of entrepreneurship is called an enterprise.
 - (b) Enterprise is the business unit
 - (c) Enterprise is the organization to earn profit only
 - (d) All of the above
9. Which of the following is correct meaning of scanning for opportunities?
 - (a) Careful observation of the environment to look out for various business opportunities.
 - (b) Identifying the broad segment or market for the business.
 - (c) To check whether the idea is practically possible or not.
 - (d) The financial institutions provide the funds only when they are convinced about the plan and its feasibility.
10. N-Ach, N-Pow, N-Aff and N-Aut are four primary drivers of:
 - (a) Calculating profit
 - (b) To run business
 - (c) Need for power
 - (d) Entrepreneurial behaviour
11. "It refers to a person/individual who starts up a business. He is the one who takes up the basic idea of setting up the business. In the process of setting up the business, he undertakes risk, coordinates production resources and undertakes innovation" this is:
 - (a) Entrepreneur
 - (b) Entrepreneurship
 - (c) Enterprise
 - (d) Business
12. Due to which of following reason entrepreneurship regarded as a creative activity:
 - (a) An entrepreneur creates a link between the raw materials and the products produced as per the needs of the society.
 - (b) It involves the introduction of new products and technology.
 - (c) Both (a) and (b)
 - (d) None of the above
13. "In the writings of Richard Cantillon, an entrepreneur is described as an agent who purchases means of production at certain prices, converts them into final products to sell them at uncertain prices in future. Herein, the key element which needs to be taken into consideration is 'uncertainty regarding future'. When an entrepreneur starts up a new business he is never sure of its success. It may happen that the business may flourish in the successful direction or it might also happen that it ruins everything that the entrepreneur has. Although the possibility of absolute ruin is very rare, the risk is always there. Moreover, when an individual opts for entrepreneurship as a

career he gives up a career in employment. That is, he gives up a well promised job or profession that provides assured returns."According to the above case which of the following statement is related and true:

- (a) Entrepreneurs undertake moderate risks
 - (b) Entrepreneurs do not take risk
 - (c) Primary motive of an entrepreneur is to earn profit only
 - (d) Entrepreneur work only for non economic activity
14. "Desires to conform to the wishes and aspirations of the people whom he/she values." is related to which of following primary drivers of entrepreneurial behaviour:
- (a) Need for achievement
 - (b) Need for power
 - (c) Need for affiliation
 - (d) Need for autonomy
15. Entrepreneurship largely promotes the economic development of a country. Entrepreneurship helps in the diversification of economic activities. This diversification is felt across:
- (a) Geographical scope
 - (b) Sectoral scope
 - (c) Technological scope
 - (d) All of the above
16. Which of the following are barriers to becoming an entrepreneur:
- (a) Market entry regulations
 - (b) Lack of Entrepreneurial Capacity
 - (c) Fear of Failure
 - (d) All of the above
17. Identify the function of entrepreneur:
- (a) Increase the Spectrum and Scope of Economic Activities
 - (b) Fostering the Spirit of Exploration, Experimentation and Daring
 - (c) Improvement in Economic Efficiency
 - (d) All of above
18. "Entrepreneurs through their prudent decisions to divest from the weak sectors and invest in robust sectors, which will bring about a virtual transformation of the economy from 'underdeveloped' to an 'emerging' and 'developed' status for a country"; which of the following Function of Entrepreneurs in relation to economic development is explained in above given text:
- (a) Increase the Spectrum and Scope of Economic Activities
 - (b) Fostering the Spirit of Exploration, Experimentation and Daring
 - (c) Improvement in Economic Efficiency
 - (d) Generation of employment
19. "Perceiving market opportunities, Gaining command over scarce resources, Purchasing inputs and Marketing of Products and responding to competition" are related to:
- (a) Political Administration
 - (b) Developing Exchange Relationships
 - (c) Management Control
 - (d) Technology
20. "Dealing with public bureaucracy (approvals, concessions, taxes), Managing human relations within the firm and Managing customer and supplier relations" are related to:
- (a) Political Administration
 - (b) Developing Exchange Relationships
 - (c) Management Control
 - (d) Technology
21. The correct sequence of steps in process of setting up a business is:
- (a) Resource mobilization, scanning the environment for entrepreneurial opportunities, assessment of feasibility of the idea and preparation of a business plan, Appraisal by the funding agencies, Project commissioning and launch, Adaptation and management of growth, development of product/service idea,
 - (b) Scanning the environment for entrepreneurial opportunities, development of product/service idea, resource mobilization, assessment of feasibility of the idea and preparation of a business plan, Appraisal by the funding agencies, Project commissioning and launch, Adaptation and management of growth
 - (c) Scanning for opportunities, deciding the product/idea, analysis of feasibility, appraisal by funding agencies, resource mobilization, project launch, adoption and management of growth

- (d) Resource mobilization, development of product/service idea, assessment of feasibility of the idea and preparation of a business plan, Appraisal by the funding agencies, Project commissioning and launch, Adaptation and management of growth, scanning the environment for entrepreneurial opportunities,
22. An entrepreneur doing business worldwide is called:
- (a) International entrepreneurship (b) Intrapreneurship
(c) Domestic entrepreneurship (d) Imports
23. If someone starts a new business that is a service station, this is an example of an:
- (a) New concept/new business (b) new concept/existing business
(c) Existing concept/new business (d) existing concept/existing business
24. Which of the following is the purpose of a business plan?
- (a) To make marketing plan
(b) To discipline the entrepreneur
(c) To think of all aspects of the proposed venture
(d) To research the facts
25. Trade secret refers to?
- (a) Secret information unknown to public (b) Information which is known to everyone
(c) Information which is easily available (d) Not to tell everything
26. Intellectual properties are:
- (a) Tangible properties (b) Intangible properties
(c) Goodwill (d) Trademark
27. Feasibility study is the base to write a business plan. Why should an entrepreneur do a feasibility study?
- (a) To see where are possible barriers to success
(b) To identify possible sources of funds
(c) To estimate the expected sales
(d) To explore potential customers
28. Copyrights are done for
- (a) Reporting current events
(b) Design of jewelry etc.
(c) purpose of research or private study (art^owork)
(d) All the above
29. MSMED stands to
- (a) Micro, Small & Medium Enterprises Development
(b) Mini, Small & Medium Enterprises Department
(c) Micro, Small & Medium Entrepreneurship Development
(d) Multilevel, Short term & Monetary Enterprises Department
30. Which one of the following is an economic barrier to an entrepreneur?
- (a) Weakness (b) Labour
(c) Fear of failure (d) Lack of vision

INPUT-TEXT BASED MCQs

Read the following text and answer the following questions (31 to 35) on the basis of the same:

Fear is defined as an unpleasant feeling triggered by the perception of danger, real or imagined. It is a fundamental part of human psychology. Our brains are wired to feel fear because it helps us avoid calamity; it keeps us safe. But fear can also hold us back if we let it. Fear feeds on fear, meaning the more we try to avoid something we're afraid of, the bigger and deeper our anxiety grows. To overcome this, we must face our deep seated misgivings and worries.

We have to acknowledge our fears and find ways to move beyond them. In the process of entrepreneurship, many fears serve as obstacles in taking action. If entrepreneurs don't confront them, the fears can ultimately consume them. Some common fears seen in entrepreneurs are Fear of failure, The Fear of not being an expert, Fear of taking risks, Fear of the unknown, Fear of being pushed into uncomfortable situations etc.

31. It is like a tiny voice whispering into your ears that everything could go wrong in the business:
- (a) Fear of failure
 - (b) The Fear of not being an expert
 - (c) Fear of taking risks
 - (d) Fear of the unknown
32. "One must move incrementally towards their goal, carefully assessing their level of investment and overhead." this is suggestion to overcome:
- (a) Fear of failure
 - (b) The Fear of not being an expert
 - (c) Fear of taking risks
 - (d) Fear of the unknown
33. "We, as entrepreneurs, are afraid of losing control and being unable to manage potential outcomes. Allowing ourselves to take a massive leap into the unknown is terrifying because we have no guarantees of how things will turn out." This is fear of:
- (a) Fear of failure
 - (b) The Fear of not being an expert
 - (c) Fear of taking risks
 - (d) Fear of the unknown
34. In which of following way an entrepreneur can help a nation:
- (a) By creating employment
 - (b) By contributing in GDP
 - (c) By providing support to increase standard of living
 - (d) All of the above
35. Entrepreneurship is good for economy-
- (a) As it is supporting in creation of self employment
 - (a) As helping in earning money
 - (b) As supporting in taking risk
 - (c) As helps in reducing creativity

Read the following text and answer the following questions (36 to 40) on the basis of the same:

The notion of individual persistence in the context of entrepreneurship usually involves two aspects: First, the founders maintain their entrepreneurial motivation, choosing to continue their effortful and active engagement in their business ventures at a particular point in time; and, second, they do so despite challenging conditions, impediments, counterforces, or attractive alternatives. Given the complexity of the concept, we found a varied range of persistence measures applied in previous entrepreneurship studies on this topic. Overall, we identified three distinct approaches in the literature to measure entrepreneurial persistence. First, the most common practice is to use the founder's objective survival in self-employment or running a business as a proxy variable for persistence if longitudinal data are available. While survival and persistence are undoubtedly closely linked, they are not necessarily identical. The definition of persistence usually involves a psychological commitment; that is, the motivation to actively engage in and the decision to continue business activities irrespective of circumstances. For instance, founders might be observed operating their businesses despite actively seeking alternative business opportunities, thus lacking full commitment to their original business ventures. The difference between survival and persistence can also be illustrated by founders who were predominantly motivated to start a business due to push factors as a last resort (for example, a lack of employment alternatives). These founders might show a persistent survival of their businesses, albeit not mainly due to their motivational dedications or preferences, but rather because there remains a shortage of employment opportunities. Second, as an alternative to survival, a cross-section of entrepreneurs are surveyed on subjective measures of persistence, often by presenting hypothetical scenarios to them and asking them whether or not they would continue operations under the described circumstances in the future. Purely subjective measures could be criticized because they solely rely on self-reported assessments of artificial hypothetical scenarios and might differ from actual behavior or attitudes displayed in reality. As a third option in the literature, Davidsson (2012) and Freel and Keister (2016) combine survival measures with a subjective question about the founder's projected active business engagement in the near future to construct a hybrid persistence measure.

36. Correct explanation of Persistence is:
- An entrepreneur is never disheartened by failures and keeps trying, adapting and iterating to overcome obstacles that come in the way of achieving goals.
 - The fact of continuing in an opinion or course of action in spite of difficulty or opposition.
 - Entrepreneurial persistence is demonstrated by an entrepreneur's continued positive maintenance of entrepreneurial motivation and constantly-renewed active engagement in a new business venture despite counter forces or enticing alternatives.
 - Both (a) and (b)
37. Persistency is:
- Weakness of entrepreneur
 - Opportunity for entrepreneur
 - Competency of entrepreneur
 - Threat for entrepreneur
38. What factors may affect the selection of a form of business enterprise?
- Capital requirements of the enterprise
 - Risk and liability involved
 - Continuity and stability demanded
 - All of the above
39. Environment scanning helps in identifying threats and opportunities of the market which can help in _____
- Image building
 - Formulation of strategies and policies
 - Better performance
 - Tapping useful resources
40. Entrepreneur's job is to ensure the selection of the best overall mix of finance for the enterprise, so that:
- The cost of the capital and financial risks stands minimized
 - The cost of the capital and business risks stands minimized
 - Return on investment and profitability stands maximized
 - Both (a) and (c)

Read the following text and answer the following questions (41 to 45) on the basis of the same:

The Government of India has announced 'Startup India' initiative for creating a conducive environment for startups in India. The various Ministries of the Government of India have initiated a number of activities for the purpose.

As per the notification, issued by the Ministry of Commerce and Industry, a startup means: 1. An entity incorporated or registered in India. 2. Not older than five years. 3. Annual turnover does not exceed ₹ 25 crore in any preceding year. 4. Working towards innovation, development or commercialization of products/service/ processes driven by technology or IPRs and patents.

41. Startup India Scheme?
- Age should not be more than 3 years
 - Should develop innovative products.
 - Must be Private Limited Company/ Registered Partnership firm/ Limited Liability Partnership
 - Has patent granted in areas affiliated with the nature of business being promoted
- 1, 3
 - 1, 2 and 3
 - 2, 3 and 4
 - All of the above
42. To fulfil the Government of India's mission & to promote the entrepreneurship in the country, Academia Alliance Program has been formed. With whose initiative Academia Alliance Program has been formed?
- NitiAyog
 - Confederation of Indian Industries
 - Startup India
 - Ministry of New & Renewable Energy
43. What is the benefit of Startup?
- Rebate on filing of application
 - Fast-tracking of Startup patent applications
 - Panel of facilitators to assist in filing of IP applications
 - All of the above

44. Recently the government launched 'Startup India' initiative. Which of the following statements is/are true regarding it?
1. Innovation hub under Atal Innovation Mission will be created
 2. Startup will be started in one day.
 3. Profits earned by Startups will be exempt from payment of income tax during the first two years of business.
 4. Easy exit option will be provided.
- (a) 2, 3, 4 (b) 1, 2, 3 (c) 1, 2, 4 (d) All of the above
45. A written statement of policies and principles that guides the behaviour of all employees is called
- (a) Code of ethics (b) Word of ethics (c) Ethical dilemma (d) None of the above

Read the following text and answer the following questions (46 to 50) on the basis of the same:

In India the set has been traditionally a male dominated society where women are perceived as home makers and always to depend on men in the family throughout their life and little to do with economy. But this thinking is changing in the modern era. As women are receiving education, they tend to have better living and are also becoming economically independent in India. Presence of women in business shows their ability and skill in managing their house as well as their business and also contributing to the growth and development of the economy. Traditionally, women have been found in the field of agriculture and household activities. But the trend now is that women are showing interest more towards their career and growth in business. Women are getting independent and are eager to make their place in emerging business societies not only in India but also in the World. Opportunities for women increase with the economic empowerment and it also helps women to access economic development.

46. Basic problem of women entrepreneurs in India:
- (a) Lack of education skill (b) Male dominating society
(c) Lack of financial strength (d) All of these
47. Government can help in forming new venture by providing:
- (a) Money (b) Technology (c) Infrastructure (d) Subsidiaries
48. Which of the following areas are preferred by women entrepreneurs?
- (a) Administration (b) Organization (c) Utilities (d) Manufacturing
49. Female entrepreneurs differ from male entrepreneurs in terms of all of the following except:
- (a) Motivation (b) business skills (c) Departure point (d) None of the above
50. Entrepreneurship can best be described as:
- (a) Process that requires setting up a business
(b) Taking a significant risk in a business context
(c) Having a strong vision
(d) A process involving innovation, new products or services, and value creation

ANSWERS

Multiple Choice Questions

- | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (c) | 2. (a) | 3. (a) | 4. (a) | 5. (d) | 6. (d) | 7. (c) | 8. (a) | 9. (a) | 10. (d) |
| 11. (a) | 12. (c) | 13. (a) | 14. (c) | 15. (d) | 16. (d) | 17. (d) | 18. (a) | 19. (b) | 20. (a) |
| 21. (c) | 22. (a) | 23. (c) | 24. (c) | 25. (a) | 26. (b) | 27. (a) | 28. (d) | 29. (a) | 30. (b) |

Input-Text Based MCQs

- | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 31. (a) | 32. (c) | 33. (d) | 34. (d) | 35. (a) | 36. (d) | 37. (a) | 38. (d) | 39. (a) | 40. (d) |
| 41. (c) | 42. (c) | 43. (d) | 44. (c) | 45. (a) | 46. (d) | 47. (c) | 48. (a) | 49. (d) | 50. (d) |

