



UNIT

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Contents

Chapter I

1. What is Entrepreneurship and who is an Entrepreneur?
2. Main characteristics and traits an Entrepreneur has or should have:
3. Risk-taking
4. Innovation

The aim of this chapter is to:

- introduce you to the basic ideas of being an entrepreneur and the process of entrepreneurship
- help you become a successful entrepreneur and continue to be one
- appreciate the rewards of being an entrepreneur

Objectives:

When you have worked through this chapter, you will be able to:

- know if you have the necessary motivation to be an entrepreneur
- assess your entrepreneurial traits and characteristics
- assess the risks as well as the rewards of becoming an entrepreneur



What is Entrepreneurship and who is an Entrepreneur?

'Entrepreneur and Entrepreneurship' have now become popular and respectable terms, unlike a few decades ago. We use the term 'entrepreneur' to describe men and women who set up and manage their own businesses. The process involved in this is called 'entrepreneurship'.

The concept of 'entrepreneur' is becoming clearer with the passage of time. Certain special characteristics, roles and economic functions have begun to be attributed to him/her. In this chapter, we are going to look at these traits and functions in detail.

Entrepreneurship is the process of starting, establishing and enlarging an enterprise that produces and markets goods and/or services. It is a creative act. It involves an attitude that tries to find opportunities and then derive benefits from them. Entrepreneurship is an important process by which knowledge is converted into products and services. In other words, entrepreneurship is a process by which "opportunities to create future goods and services are discovered, evaluated, and exploited."

SAQ 1.1

Please write down some of the characteristics an individual should possess, to be a successful entrepreneur.

To be a successful entrepreneur a person should be:
<ul style="list-style-type: none">•••••

- An entrepreneur must be a highly motivated person. He or she must take initiative at various stages in organizing and reorganizing resources, including money, material and manpower, to produce goods and/or services, and must innovate continually.
- The entrepreneur should also take risks in terms of money, time, technology, career commitment and social relationships. The monetary reward for these activities comes in the form of profit. But there is some uncertainty about this reward

You must learn and remember the key expressions we have used:

- * **Being motivated**
- * **Taking initiatives**
- * **Organizing resources**
- * **Taking risks**
- * **Innovating**



We explain some of the important expressions here:

Motivation

A person cannot win a game without playing it. In the context of Entrepreneurship, success depends on people's willingness to become entrepreneurs. The pursuit of entrepreneurial opportunity is an evolutionary process. So the decisions made after the discovery of opportunities—to positively evaluate opportunities, to pursue resources, and to design the mechanisms of exploitation—also depend on the willingness of people to “play” the game. Hence, “Motivation” influences these decisions, and that variance across people in this motivation will influence those who pursue entrepreneurial opportunities, assemble resources, and undertake the entrepreneurial process.

The word “Motivation” comes from the word 'motive' (or goal). It means the urge in a person to achieve a particular goal. In other words, it is the 'strong need to achieve' that motivates a person to carry out certain actions or behave in a particular manner. You may find many people who have all necessary financial resources and family support, yet they may not be interested in starting their independent business ventures. . Why is it so? Because they are comfortable doing routine jobs and have no higher goals in life. They lack 'motivation'.

Entrepreneurs are generally highly active. They struggle constantly to achieve something better than what they have. They like to be different from others and are ready to work hard to reach their goal.

Persons experiencing the constant need to achieve always try to understand their strengths and weaknesses. This enables them to seek external help, whenever needed.

Devi Ventures Out And Rediscovered Herself

Devi was a government employee with a secure job. But she was not content with that. All her adult life she had dreamt of becoming something different, doing something new which would give her life a meaning and help her create her own identity. This desire gave birth to the idea of her becoming one of the few women entrepreneurs in India. When an Entrepreneurship Development Programme was announced by Industrial and Technical Consultancy Organization of Tamil Nadu (ITCOT), Tamilnadu, she decided to participate in it. After completing the programme, she made up her mind and decided to manufacture corrugated cardboard boxes. She resigned from her secure job and started her enterprise in a small way. She used her savings and provident fund to finance her dream project. Today she is a successful entrepreneur, and her husband has joined her in her venture.

This shows her “strong desire to achieve” which motivated her to start an enterprise

Entrepreneurial persons seek rewards or returns earned through their own efforts and do not depend upon 'luck'. They do not like to be idle.



The following case is a good example:

The Making of Balachandran, the Entrepreneur

Balachandran is a commerce graduate and belongs to a lower middle class family from a small village in Tamil Nadu. Even as a student, his ambition was to become his own boss one day. With this desire, he attended an Entrepreneurship Development Programme (EDP) at Karaikudi, in Tamil Nadu. This strengthened his self-confidence. His idea was to produce high molecular high-density shopping bags. But he could not procure the finance and hence dropped the idea.

However, he did not lose hope. With just ₹. 500/- in his pocket, he left for Chennai. He started selling used packing cartons and earned some money. In the meantime, he met a commercial artist, who used to work in advertising. Balachandran became his assistant and started earning ₹. 300/- a month. The salary was too small and therefore he also began working independently. Thus, he started getting closer to his dream of having an enterprise of his own.

By December 1988, he had set up his own outdoor advertising unit and had quit his job. The first order came from Kwality Ice Cream. He has thereafter been manufacturing acrylic glow signboards and doing engraving work and screen-printing. His clients include big names like Cadbury India and Pepsi. By 1993, he had set up three enterprises of his own.

For Balachandran, there is no looking back now. And he continues his journey towards greater heights

SAQ 1.2

What is the goal in your life and how do you plan to achieve it?

<p>My goal in life is to</p> <p>I plan to achieve it by</p>
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Risk Taking

Risk-taking implies taking decisions under conditions where there are possibilities of failures but you are confident of success. While doing so, an entrepreneur takes the responsibility for the



result of his decision. Entrepreneurs spend a considerable time planning their enterprises. They study the market, technology, examine and re-examine the demand, the prices, machinery and processes involved, make detailed inquiries about sources of finance and consider other business lines too. Why do you think they go through all these processes? To minimize the risk and avoid failure in the future. Entrepreneurs are prepared for failure but are determined to succeed. With the help of systematic planning, they try to deal with the uncertainties and control the outcome to the extent possible.

Imagine that you are a qualified pharmacist and that you have received a large amount of money from your parents. Which of the following options would you choose?

- a. Invest in a bank deposit with 8 per cent annual interest;
- b. Invest in a company with a possible return of 15 per cent
- c. Start a medical shop in your area (because people there have to travel a long distance to get medicines) with a fairly good chance of marking an immediate return of around 10 per cent. (The business is sustainable and can bring in more returns (20, 30 or 50%) in the future, if you put in your time and effort)
- d. Try your luck in the share market.

Clearly, option 'c' calls for an entrepreneurial quality. Remember, successful entrepreneurs usually choose the moderate or middle path. They are not 'gamblers'. At the same time, they are not afraid of taking a decision if there is a reasonable chance of success.

SAQ 1.3

Look back on your own life/career. Describe a typical decision made on an important matter.

Innovation

The process of commercialising an invention is called innovation. For example, steam as an alternative source of energy was invented as early as AD 100. Later, in 1712, when it was used to run engines, the process was called innovation, i.e. introduction of 'newness' or 'novelty'. When it is used in a business activity, The novelty may take any one or a combination of the following forms:



- a) new products
- b) new methods of production (new technology)
- c) new markets
- d) new sources of raw material
- e) new management practices
- f) new organizational structure
- g) new information methods; or
- e) new forms of organisation.

Innovation is a critical aspect of entrepreneurship. Entrepreneurs always try to create new and different values and get satisfaction in doing so. They try to convert a material into a resource or, combine the existing resources in a new and more productive manner. The act of innovation thus provides resources with a new capacity to create wealth.

A 'Killer' Turned 'Saviour'

The story of Penicillin, the popular antibiotic that is used against a variety of diseases and infections, explains what innovation can do to society. Penicillin is made of a particular fungus or 'mould'. Till the beginning of the 1920s, scientists considered this fungus a nuisance, as it used to destroy their bacteria cultures. They were desperately trying to get rid of it. A doctor from London, Alexander Fleming, realized that this 'nuisance' was nothing but the 'bacteria killer', the scientists were searching for! All of a sudden Penicillin became a valuable 'resource'.

Innovation and change are, in fact, the most distinguished features of entrepreneurship. You need your ability not only to 'create', but also to understand your surroundings.

SAQ 1.4

Spend a few minutes listing below the various functions an entrepreneur performs

The functions an entrepreneur performs are:

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Check your list with that of ours.

S/he;

- 1) searches for and discovers economic opportunities
- 2) evaluates the economic opportunities
- 3) arranges for financial resources for the enterprise
- 4) makes time-bound arrangements
- 5) takes ultimate responsibility for management of the enterprise
- 6) is the ultimate uncertainty/ risk bearer
- 7) is responsible for motivation within the enterprise
- 8) searches for and discovers new economic information
- 9) translates this information into new markets, techniques and goods
- 10) provides leadership to the workers.

Case Study

David and Goliath-Cavin Care

Most people would think it wasn't a very smart thing to do, but Chinni Krishnan Ranganathan did it anyway. In 1983, a 20-something Ranganathan set out to sell shampoos with ₹. 15000/- in his pocket. It was a market of 200 brands, the most popular of those being marketed by Hindustan Lever Ltd. (HLL). And what was Ranganathan's product? A little shampoo sachet called 'Chik' that sold for ₹.1.

Today Ranganathan gives HLL a run for its money. Experts agree that it was a brilliant thing to do. It's not just about what Ranganathan did, but how he did it – by grabbing an opportunity that came his way with India's liberalization of 1991.

Ranganathan used the opening up of the airways to his advantage. He first advertised on the regional satellite channels, and consolidated his brand- Chik, Myle herbal shampoo, Fairever fairness cream – in the southern markets before launching them nationally – Cavin Kare is now a ₹.205 – crore group with a personal products division, a polymer division and an export division.

Ranganathan, the CEO of Cavin Kare, runs his business on the premise that there are vastly more consumers available than the much-hyped urban middle class. The consumers in small towns and villages cannot spend much but there are a whole lot more of them than the middle class of 150 million. It is also much harder to reach them, but Ranganathan did.

Ranganathan was an ordinary student whose father, the owner of a small pharmacy company, decided that should eventually do business. Ranganathan was forced to study chemistry in college (which helped him later). His father died while he was still in college. This affected him profoundly, says Ranganathan, leading him to question everything till he got a rational answer. Later, he joined his elder brother in running the family business, but left only after eight months as he did not agree to his brother's way of doing things,



So, he set out on his own with ₹.15000/-. The first three years were very hard. The idea was not original. His brother had pioneered the sachet revolution by launching the best selling velvette shampoos. 'Every day was a survival issue', recalls Ranganathan.

The Chick Sachet Strategy

Ranganathan applied innovative marketing effort for his 'Chik' sachet. The key to success, he says, is not manufacturing, but marketing and distribution. One strategy was "Return five empty shampoo sachets and get one 'Chik free'. This is common today, but was not so in the 1980s. This campaign was a hit in the rural market. Volumes tripled. There was no looking back.

In 1990 Ranganathan employed 50 people; there are 508 now.

Ranganathan welcomes competition. He believes it will make him more agile and help his survival in a market still dominated by multinationals. He is thorough in the business; studies market segments carefully, plans releases and removes a product from the market within three months, if it does not sell well. A lot of what he does is native intelligence and instinct, besides inspiration from any quarter.

His strategy for new products is to evolve and position them in a manner that cannot easily be challenged. Consider 'Spins Dab', a new perfume, a single-use dab-on perfume costing ₹. 10/-

Ranganathan has shown how the age of the small guy is here; only he is not that small any more.

(Business Today

Collector's Editor)

SAQ 1.5

Which important entrepreneurial characteristics come to your mind, having read about Mr. Ranganathan and his 'Cavin Kare' empire?

Some of the important characteristics are

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Chapter II

1. Entrepreneurial Persons
2. Entrepreneurial Communities
3. Entrepreneurial Process

The aim of this chapter is to:

- explain to you the various stages of business and the rewards of being an entrepreneur.

Objectives:

On completion of this chapter you will

- know about entrepreneurial communities
- stages of entrepreneurial process
- myths about entrepreneurs



Entrepreneurial Persons

The most exciting part of entrepreneurship is that you are your own master. When you are an employee, you work for others according to their plans, whims and fancies. In entrepreneurship, you set the goal, plan the action and reap the satisfaction (and rewards) of having achieved the goal.

To start with, let us list the charms of being an entrepreneur. Why should you become an entrepreneur?

1. You become your own boss. You are independent. You no longer work for someone else. Hence you face no frustration.
2. You no longer waste energy and time looking through job advertisements. You create jobs for others.
3. You can use your talent, skills and knowledge for your own benefit and for your nation's prosperity.
4. You can earn a hefty income. Your successful enterprise can bring you unlimited returns.
5. Above all, you prove to the world that you are an achiever because you seek nothing less than excellence.

A common query that arises in the minds of students of entrepreneurship is, "what is the difference between an entrepreneur and a manager?" Some even think that entrepreneurship is another form of management. Entrepreneurship is not the same as management. However, both entrepreneurial and managerial qualities are present in entrepreneurs and managers in varying degrees. (The entrepreneur thinks of a new idea and tries to 'make it happen' by arranging resources (money, material, machinery and manpower). He/she may use his/her own money, borrow from relatives and friends, or also take a loan from the bank. Thus, he/she is ready to take a risk for the sake of the enterprise. Once production begins, 'management' becomes important in coordinating and organizing continuous production.

A manager on the other hand works with given resources and manages them. But, he/she does not take risks as the entrepreneur does. The motivation for the manager comes from his/her salary and position. Can we then say that the essential quality of the entrepreneur that makes him/her different from the manager is the 'readiness to create and take risk?'

The difference between an Entrepreneur and a Manager

Points	Entrepreneur	Manager
Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He/she understands the venture for his personal gratification.	The main motive of a manager is to render his services in an enterprise already set up by someone else.
Status	An entrepreneur is the owner of the enterprise.	A manager is an employee in the enterprise owned by the entrepreneur.
Risk Bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainties involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise.



Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change agent'.	A manager simply executes the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's idea into practice.
Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk bearing and so on.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.
Involvement	Full-time involvement.	Limited time employment
Stake	Everything at stake, e.g. capital, time, career, emotion, family and personal life, etc	Time and managerial capabilities are at stake

SAQ 2.1

Are You Entrepreneurial?

Assess yourself

Tick Mark what you think is applicable.

1. Do you have a strong desire to be a winner? **(need for achievement)** Yes/No
2. Can you take a decision on a matter and then stick to it even if there are chances of failure? **(hope of success)** Yes/No
3. Do you like to be in charge and accept responsibility?
(taking personal responsibility) Yes/No
4. Are you willing to work long hours with hardly any immediate rewards?
(commitment to work contract) Yes/No
5. When you face complicated problems, you do not give up, but tackle the problems and continue without getting frustrated and objective? **(perseverance)** Yes/No
6. Do you like going through totally new experiences? **(seeking novelty)** Yes/No
7. Are you unaffected by personal likes and dislikes while approaching problems?
(objectivity) Yes/No
8. While on a task, do you feel it is important to know how you are performing?
(receiving feedback) Yes/No
9. Do you dislike working for others? **(drive for independence)** Yes/No
10. Do you avoid or evade problems or solve them? **(problem solving)** Yes/No
11. Do you plan your future actions? **(systematic planning)** Yes/No



Identifying and evaluating an opportunity is a difficult task. Opportunities do not appear from nowhere. You have to be 'watchful' for the opportunities. Ideas can come from friends, relatives, magazines, work experience, technical people, other businessmen, etc. (How to identify a business opportunity will be explained in detail in the latter chapters). Right now it will suffice for you to know that once you have identified an opportunity or opportunities, they should be carefully evaluated. Three factors are important here: (a) how big is the market; (b) what is the life of the opportunity; and (c) how skilled and motivated are you in order to exploit it. After having identified a project, you have to start developing a plan for your venture. In doing so you must know:

What resources are needed,?

Where to get the resources from,?

What is the market size?

What machinery is needed?

Where to get the required machinery from,?

Where to get the required raw material from,?

How to organize the business,?

What the profit is going to be: ?

A further step in the process is to assess the resource position. You may begin with your own resources. But do try and find out other possible sources. Once the enterprise is set up, you have to deal with the operational problems of running a business. It is here that his/her managerial skills would be put to test.

The steps are not 'sequential'. It is not like climbing a staircase. The stages can or usually overlap. For example, to identify and evaluate an opportunity (stage 1), the entrepreneur must have some idea about the business he plans to start (stage 2).

Would you say step 5 in figure 1 is the end of the process? No, it is not. Once your enterprise has been established, you may want to expand your business or diversify, which means get into other areas of business. You may also find that certain changes in the external environment are not friendly and hence, you need to modify your business strategies. In essence, the process continues. An entrepreneur always looks forward to an indefinite future, growth, development, or at least a continuation.

SAQ 2.2

Would you regard entrepreneurship as launching and successfully managing a business enterprise? Yes/No. Write down your opinion in two or three sentences.

In my opinion

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-
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The Entrepreneurial Life Requires Change

A crucial feature of entrepreneurial life is 'change'. The entrepreneur always looks back into the past to learn the basis of success or failure. He/she is also particularly conscious of what the competitors are doing, or have just or are planning, what he/she would do tomorrow, next month, ten years from now. He/she is always concerned with the policies of the government, trade associations, etc. For an entrepreneur, life is a constant flow.

Even a few decades back it was not easy to be a successful entrepreneur. It needed a lot of grit and determination. The uncertainty in the process has now been considerably reduced due to development of the support network. You now have access to consultants and training institutions for advice, banks for credit, business and industry associations for voicing your concerns, better infrastructure, access to technology and information, quality workforce, etc. It is not as difficult or as complex as it was then.



Entrepreneurship and Economic Development

How do we measure the economic development of a country? The standard tools are a growth in the national income and employment. But, where are the income and the employment created? In enterprises. In other words, economic activities take place in 'enterprises'. (Enterprise means a business venture.) Enterprises are set up and run by entrepreneurs. Thus the supply of entrepreneurs has a direct relationship with the economic well-being of a nation.

What Does The Entrepreneur Do?

The entrepreneur combines the available resources like infrastructure labour, finance, manpower, knowledge, etc. and produces goods or services, puts in valuable inputs in the form of his/her time, knowledge and efforts for organizing these factors. This is the basic quality of entrepreneurship which spreads in societies through a `chain reaction. Each action leads to another and entrepreneurial opportunities are continuously created. They result in active markets and intense competition.

Look at the computer industry, for instance. The emergence of computers has opened up a large market for computer software. Young men and women have developed software packages and sold them in the market. But can the activity end there? Obviously not. The computer users need training, computers need maintenance and repairs, etc and the activities go on. Many fields like banking, education and even astrology have come to depend on computers in a big way. All these have created a lot of opportunities in this area. Thus, the computer industry all over the world is growing very fast.

SAQ 3.1

Observe your surroundings keenly for similar examples. Write a brief paragraph about your observations below:

My observations

Let us now see how entrepreneurship leads to growth and prosperity of a country.



The following are some of the major areas where entrepreneurship has made important contributions.

Productivity

Investment and innovation are the two major influences on raising productivity (work done per hour) and the per capita output (total output divided by total number of employees). You can well imagine how inventions such as steam engine, steamship, telegraph; telephone, automobile, aeroplane, computer, etc. have affected the growth and welfare of people and countries all over the world. With the help of innovation, the entrepreneur manages to produce goods and services at a lower cost. He/she reaps profit from this entrepreneurial activity. But this 'happy' situation cannot last very long. Soon, imitators appear, affecting the market supply and the price of goods. They compete with the original entrepreneur for raw materials, workers, etc. As a result, the production cost goes up. This forces the entrepreneur to introduce innovation again and again, and the process continues.

Job Creation

An entrepreneur not only generates profit for himself or herself but also creates employment for a large number of people through enterprise creation. Let us go back to our example of the computer industry. In the beginning, there was a demand only for a few software professionals and programmers.

Slowly, when the momentum of the industry, picked up the need for instructors, maintenance and service engineers, sales personnel etc increased. This sector is now becoming a major employment creator. Moreover, a large number of computer professionals are setting up their own enterprises. Instead of working for big companies, they provide jobs for others in their small and medium units.

Transfer of Technology

Entrepreneurs, especially in the developing countries, may not always be 'innovative'. Most of these countries do not have properly developed infrastructure (communication and transport facilities), information sources, etc. Hence 'innovating' becomes difficult for entrepreneurs. They very often borrow innovative ideas from others or imitate the innovations made elsewhere, and apply them in an imaginative manner. This leads to transfer of technology across countries, and ultimately to the economic growth of the imitating country.

Notice what is happening in the field of communications. Television was once considered a major technological invention. But soon came video recorders and players. You could watch films and other programmes at your own convenience. You could even record the programmes of your choice from the TV and watch them later. Now, even this has become outdated. Commercial channels within and outside India are entertaining and educating people throughout the day! How did this happen? Some entrepreneurial people had the vision to think ahead and were ready to take risks.

Entrepreneurial Firms

The growth of small-scale industries in the past few years has brought to light the importance of entrepreneurship in this sector. Perhaps, you are aware that the enterprises in this sector are mostly owned and managed by a single individual (owner-manager). Right from the stage of 'spotting' the business idea, till the establishment and consolidation of the enterprise, there is a



complete involvement of the entrepreneur. This is why small units are commonly called 'entrepreneurial firms'.

Advantages of Small and Medium Enterprises (SMEs)

It has been observed that as compared to small entrepreneurial firms, the large ones are rigid and slow in responding to changes around them. The small entrepreneurial firms, on the other hand, are alert and are constantly looking for gaps in the market, which they can fill. Thus, they make the best use of available opportunities and resources.

The Indian SME sector

The importance and contribution of the SME sector to the Indian economic growth and prosperity is well established. Its role in terms of employment creation, upholding the entrepreneurial spirit and innovation, has been crucial in fostering competitiveness in the economy. It is imperative for the industry sector to grow at a faster pace supported by a vibrant SME Sector in order to meet the national developmental objective of a sustained growth rate of over 8 per cent. The Government's policy initiatives like enactment of the new Micro Small and Medium Enterprises Development Act, 2006, pruning of the reserved SSI list, advising Financial Institutions to increase their flow of credit to the SME sector, are all steps towards boosting entrepreneurship, investment and growth.

The SME sector contributes heavily not only to GDP but also to the employment. The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40 per cent of the gross industrial value added to the Indian economy.

An estimated ₹.10 lac worth of investment in fixed assets in the small-scale sector produces ₹.46.2 lac worth of goods or services with an approximate value addition of ten percentage points.

The small-scale sector has grown rapidly over the years. The growth rates during the various Plan periods have been impressive. The number of small-scale units increased from an estimated ₹. 8.7-lac in 1980-81 to over ₹. 125 lac in 2006

The SSI sector in India creates the largest number of employment opportunities for the Indian populace, next only to agriculture. It has been estimated that ₹.100,000 of investment in fixed assets in the small-scale sector generates employment for four persons.

The SSI sector plays a major role in India's present export performance. Over 45 per cent of the Indian exports is contributed by the SSI sector. Direct exports from this sector account for nearly 35 per cent of the total exports. Besides direct exports, small-scale industrial units contribute around 15 per cent to exports indirectly.

There are three major sectors of economic activity-agriculture, industry and services. Employment opportunities in agriculture have been declining over the years. At the same time, the service sector (which includes banking, insurance, transport, education, etc.) has been growing in terms of generating employment. There are large, medium and small enterprises in both these sectors. Large units have played a significant role in increasing industrial production in the country. But, they have not been able to generate employment to the same extent. The reason is obvious. They adopt methods that use more capital and less labour. To put it simply, as far as possible, they use machinery in place of man power.



But for each job created in the small sector, the amount invested is much less than that invested in the large sector. Relative to this investment, they generally achieve a higher output per worker. Both in rural and urban areas, the small units provide jobs to the poor and unskilled people. This has contributed directly towards removing poverty to a great extent.

In this chapter we have seen how entrepreneurs and entrepreneurship contribute to the growth and welfare of countries. The following are the main points to remember:

- 1. Entrepreneurs set up enterprises, which in turn create income, output and employment.**
- 2. The spirit of enterprise, creativity and drive make individuals innovative and achievers of high goals. Such individuals together form dynamic societies.**
- 3. Such achieving societies experience faster growth in economic activities.**
- 4. On the other hand, societies that do not inculcate and nurture the spirit of enterprise, experience stagnation.**



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Chapter IV

1. Entrepreneurship and the Environment
2. Societal Factors
3. Women, as Entrepreneurs
4. Education
5. Government Policies
6. Economic Infrastructure and Societal Overheads
7. Changes Taking Place

The Aim of this chapter is to:

- explain to you how social, religious, political, economic and educational factors influence the emergence and growth of entrepreneurship.

Objectives:

When you will have worked through this chapter, you will be able to :

- identify the major influences on your own life and thus help assess yourself as a social being; and
- design ways and means to overcome the negative environmental forces.



system, the Indian personality remained largely unentrepreneurial, if not anti – entrepreneurial (Tripathi, 1992).

Similarly, McClelland maintained that the presence of a specific motivational structure, the desire to achieve for the sake of achievement -- i.e. the 'achievement motivation' -- is of critical importance for successful entrepreneurship. He said that Indian artisans lacked entrepreneurial values and motives, a conclusion he based on his experience with handloom weavers in Orissa and artisans in Kakinada in south India (McClelland and Winter, 1969)

In a country like India, social (value system) and cultural issues hold their importance, besides issues related to infrastructure. Any innovation to succeed in our society needs to be accepted by our value system and cultural issues. It will not be wrong to say that Dot.com (or any innovation) will not succeed unless a high level of awareness is created and the idea is taken to the common people. An acceptance by the masses in itself is a kind of social innovation. Further, in our country, where the population is more concerned about making both ends meet, entrepreneurial activity will achieve sustainability only when support is provided both at the societal and government levels.

SAQ 4.1

Can you think of similar examples from your own community or any other that you know of?

In my community

Women as Entrepreneurs

Has it ever struck you that there are fewer women than men among entrepreneurs? Why is it so? The reasons can again be traced to societal beliefs about the role of women in family and society. They are regarded primarily as home-makers, whereas men are supposed to be the bread-winners for the family. Likewise, there exist certain accepted cultural norms about the characteristics and behaviour of women. They are viewed as naturally weaker, emotional, less rational, less proficient and, in general, inferior to men. These notions, expectations and norms have worked together to restrict women's social mobility, opportunities in education and employment, work experience and skill formation, ownership of resources, etc. Under such



conditions, it becomes extremely difficult for the majority of women to take to entrepreneurship and become successful in business.

Women constitute almost one half of the world's population, having enormous potential but being underutilized or unutilized for the economic development of the nation. There is a need to strengthen and streamline the role of women in the development of various sectors by harnessing their power towards nation building and to attain an accelerated economic growth.

Majority of women do not undertake entrepreneurial ventures. Entrepreneurship is a key to economic development of a country. History is full of instances of individual entrepreneurs whose creativity had led to the industrialization of many nations. Small-Scale Industries (SSI) play a key role in the industrialization of a country. It is considered an important means for checking the concentration of economic power in a few hands and bringing about economic dispersal and a more equitable distribution of national income. The nature and character of the SSI is suitable for women to become entrepreneurs.

The government programme for development of women began as early as 1954 in India but the actual participation began only in 1974. At present, the Government of India has over 27 schemes for women operated by different departments and ministries. Some of these are:

- Integrated Rural Development Programme (IRDP)
- Training of Rural Youth for Self-Employment (TRYSEM)
- Prime Minister's Rojgar Yojana (PMRY)
- Women's Development Corporation Scheme (WDCS)
- Working Women's Forum
- Indira Mahila Yojana
- Indira Mahila Kendra
- Mahila Samiti Yojana
- Rashtriya Mahila Kosh
- Khadi and Village Industries Commission
- Indira Priyadarshini Yojana
- SIDBI's Mahila Udyam Nidhi Mahila Vikas Nidhi
- SBI's St
- Stree Shakti Scheme
- NGO's Credit Schemes
- National Banks for Agriculture and Rural Development's Schemes

The efforts of the government and its different agencies are ably supplemented by non-government organizations that are playing an equally important role in facilitating women empowerment. Despite the concerted efforts of the governments and NGOs, there are certain gaps. Of course, we have come a long way in empowering women, yet the future journey is difficult and demanding.

The Tenth Five-Year Plan (2002-07) aims at empowering women through translating the recently adopted National Policy for Empowerment of Women (2001) into action and ensuring survival, protection and development of women and children through right- based approach.



SAQ 4.2

Which in your opinion, are the societal influences on you? How are you going to deal with them?

I have been influenced by
<ul style="list-style-type: none">••
I will deal with them by
<ul style="list-style-type: none">•••

Education

Education enables you to understand the outside world and equips you with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

In India, the system of education prior to the 20th century was based on religion. In this rigid system, critical and questioning attitude towards society were discouraged. The caste system and the resultant occupational structure were reinforced by such education. It promoted the idea that business is not a respectable occupation. Later, when the British came to our country, they introduced an education system just to produce clerks and accountants for the East India Company. The base of such a system, as you can well see, is very anti-entrepreneurial. The unfortunate result of it is that young men and women in our country have developed a taste only for `service;. Their talents and capabilities have not been made much use of. Rather, they have been wasted in performing routine conventional jobs. Our educational methods have not changed much even today. The emphasis is still on preparing students for standard jobs, rather than on making them capable enough to stand on their feet.

Government Policies

A football player might possess an exceptional talent. But, his contribution to the nation and the world of sports would remain negligible, if his performance is restricted to the courtyard of his own house. He needs a football ground to practice on and resources to buy the equipment required. He also requires encouragement and support from those in authority to enable him to freely play with others and prove his talent. In the same way, an entrepreneur, however creative he/she may be, cannot function without the supportive actions of the Government. It is for the Government/society to ensure the availability of required resources for the entrepreneurs and also the accessibility to them. This is because the successful entrepreneur contributes to the well-being of society. Policies relating to various aspects like prices, the availability of capital,



labour and other inputs, demand structure, taxation, income distribution, etc. affect the growth of entrepreneurship to a large extent. Promotional Government activities such as incentives and subsidies contribute substantially to entrepreneurial performance. At the same time, Government policies like licences, regulations, government monopolies, etc. are undesirable for the growth of business enterprises. Above all, a Government that is politically stable and united can affect entrepreneurial activities in a significant manner.

SAQ 4.3

Is there a business entrepreneur in your neighborhood? Try to gather information on his/her views on various Government policies like taxation, finance, labour, etc. Also ask him/her about the opportunities and growth prospects of a business unit.

My observations are.

Economic Infrastructure and Social Overheads

The expansion of entrepreneurship presupposes properly developed communication and transport facilities. This not only helps to enlarge the market, but expand the horizons of business too. Take for instance, the establishment of the post and telegraph system and construction of roads and highways in India. It helped considerable entrepreneurial activities to take place in the 1850s. Apart from the above factors, institutions like trade/business associations, business schools, libraries, etc. also make valuable contribution towards promoting and sustaining entrepreneurship. You can gather all the information you want from these bodies. They also act as a forum for communication and joint action. Of late, the importance of business and industry associations has increased tremendously. In the fast-changing world of business, entrepreneurs have to move collectively to be more effective and more efficient. They need to constantly check and influence the Government's thinking and decision-making.



Changes Have Taken Place

In India, all the abovementioned environmental forces have worked in favour of enterprising men and women. There is a visible change for the better in the entrepreneurial field in the country. Dogmas (settled opinions) and superstitions have lost the hold they earlier had. It is encouraging for the 'non-commercial' classes to consider economic opportunities more sympathetically. As a result, occupational divisions based on the caste system have undergone tremendous changes and traditional activities, social approval etc. have become less important. More important now are the economic factors such as access to capital and possession of entrepreneurial traits and characteristics and business knowledge.

The development of changes in Government policies in favour of business and industry and, ofcourse, a rise in the demand for products manufactured by small scale industries are some of the other factors that have led the Indian entrepreneurs to look for new business opportunities.

What does this Chapter Convey to You?

Entrepreneurship is not something that you inherit. It is not limited to certain class, communities, castes or gender. Anybody who is determined to achieve a brighter and higher goal in life can develop entrepreneurial aptitude with appropriate training.



ASSIGNMENT I

1. Describe three important qualities of an entrepreneur. Identify a person in your neighbourhood who possesses these qualities. Give instances where these qualities were manifested on his/her life.



ASSIGNMENT I

2. List the function an entrepreneur performs and design the stages involved in the entrepreneurial process. How are the functions reflected on the stages?



ASSIGNMENT I

3. Locate and present examples to show how environmental factors did not hinder entrepreneurial activities.



ASSIGNMENT I

4. List the charms of being an entrepreneur.