



249en01



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# INTRODUCTION TO ENTREPRENEURSHIP

Before going through this lesson, ask yourself if you are hard-working, smart, creative, willing to take risks and good with people. If the answer is yes, then take heart, stay motivated and be steered by your inherent inner drive. You are on the road to entrepreneurship, the ultimate career in capitalism in which you put your idea to work in a competitive economy. Entrepreneurship does not mean sticking to conventional business. It implies creating new things. Its emphasis is not merely on idea generation but also on the promotion and implementation of a new business environment.



## LEARNING OUTCOMES

After studying this lesson, the learner will be able to:

- explain the concept, meaning and features of entrepreneurship;
- compare and contrast employment, self-employment and entrepreneurship;
- outline the various types of entrepreneurship, and
- analyse entrepreneurship as a career option.

## 1.1 MEANING OF ENTREPRENEURSHIP

Entrepreneurship may be defined as the visualization and realization of new ideas by insightful individuals, who are able to use information and mobilize resources to implement their vision. Entrepreneurship is the ability (i.e., knowledge plus skills) of a person to translate ideas of commencing a business unit into reality by setting up a business on ground to serve the needs of society and the nation, in the hope of profits.

**Notes**

Entrepreneurship refers to a system that includes entrepreneurs (and potential entrepreneurs), institutions and government actions. The desired policy outcome of this system is increased levels of entrepreneurial activity.

## 1.2 DEFINITION OF ENTREPRENEURSHIP

**Baumol's** definition of entrepreneurship includes all kinds of opportunity-seeking behaviour – in his own words encompassing, for instance, political rent-seeking and “organised crime.”

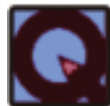
**Wennekers and Thurik** have probably provided the most elaborate and inclusive definition:

*Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations to perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations), and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions.*

Finally, entrepreneurship can be understood as, An economic process where an idea is generated or an opportunity is created, refined, developed and implemented, while exposed to uncertainty to realize a profit by effective utilization of resources.

## 1.3 CHARACTERISTICS OF ENTREPRENEURSHIP

- i) Entrepreneurship is an economic activity done to create, develop and maintain a profit-oriented business.
- ii) It begins with identifying an opportunity as a potential to sell and make profit in the market.
- iii) Entrepreneurship is the best utilization of available resources.
- iv) Entrepreneurship is the ability of an enterprise and an entrepreneur to take risk.



### INTEXT QUESTIONS 1.1

1. Fill in the blanks with suitable text.
  - (a) The emphasis of entrepreneurship is not merely on the ..... but also on the .....and implementation of new business environment.

- (b) Entrepreneurship is the best ..... of available resources.
- (c) Entrepreneurship is an economic activity done to create, develop and maintain a .....



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## 1.4 TYPES OF ENTREPRENEURSHIP

Let us take a look at different types of entrepreneurs. All forms of entrepreneurship are essential and complementary forces of economic development.

### 1.4.1 Based on Risk

- (a) **Innovative Entrepreneurship** Entrepreneur comes up with new ideas and turns them into viable business and find new ways to market the products that make their business stand out from the crowd and sometimes create a new crowd. Examples are Steve Jobs and Bill Gates.
- (b) **Imitative Entrepreneurship** implements current techniques from which they copy certain business ideas and improve upon them as to gain an upper hand in the market. Imitative entrepreneurship is characterized by the adoption of exogenously changing technologies. Examples are development of small shopping complexes and small car manufacturers.
- (c) **Fabian Entrepreneurship** is concerned with such business organizations in which the individual owner does not take initiative in visualizing and implementing new ideas and innovation. Dealings are determined by customs, religion, trading and past practices. They are not too interested in taking risks or changes and they try to follow the beaten track created by their predecessors.
- (d) **Drone Entrepreneurship** is concerned with such businesses in which owners are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. They refuse to make any modification in the existing production methods inspite of incurring recurring losses.

### 1.4.2 Based on type of Business

- (a) **Agricultural Entrepreneurship** covers a wide spectrum of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanization and agricultural technology.
- (b) **Manufacturing Entrepreneurship** identifies needs of customers and then explores the resources and technology to be used to manufacture



the products to satisfy those needs by converting raw materials into finished products.

- (c) **Trading Entrepreneurship** procures finished products from manufacturers and sells these to customers either directly or through middlemen such as wholesalers, dealers, and retailers. These middlemen act as a link between the manufacturer and customer.

### 1.4.3 Based on use of Technology

- (a) **Technical Entrepreneurship** deals with establishing and running industry based on science and technology. They use innovative methods of production.
- (b) **Non-Technical Entrepreneurship** is concerned with the use of alternative and imitative methods of marketing and distribution strategies to make their business survive and thrive in a competitive market.

### 1.4.4 Based on Ownership

- (a) **Corporate entrepreneurship** was pioneered by Burgelman. Corporate ownership is where an individual through innovation and skill organises, manages and controls a corporate undertaking efficiently.
- (b) **Private Entrepreneurship** is where an individual sets up a business as a sole owner of the business and bears the entire risk involved in it.
- (c) **State Entrepreneurship** is where trading or industrial venture is undertaken by the State or the Government.
- (d) **Joint Entrepreneurship** implies a joint business endeavor between a private entrepreneur and the Government.

### 1.4.5 Based on size of Enterprise

1. **Micro Enterprises:** Any business with a turnover of up to Rupees five crore.
2. **Small-Scale Entrepreneurship:** A small enterprise has an annual turnover of more than Rupees five crore but not more than Rs 75 crore.
3. **Medium-Scale Entrepreneurship:** A business with a turnover over Rs 75 crore and upto Rs 250 crore
4. **Large-Scale Entrepreneurship:** Business with turnover over Rs 250 crore.



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### 1.4.6 Based on Gender

#### Women Entrepreneurship

The Government of India defines women entrepreneurship as, “a business enterprise which is owned, managed and controlled by women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment generated in the enterprises to women.”

Schumpeter defines women entrepreneurship as, “based on women’s participation in equity and employment of a business enterprise.”

### 1.4.7 Based on Social Problems

#### Social Entrepreneurship

The concept of social entrepreneurship came around the 1960s but the establishment of Grameen Bank by Muhammad Yunus in Bangladesh was the first instance where it was thoroughly used. Social entrepreneurship focuses on social problems and environmental problems aiming at bringing about transformation. This obligation of contribution to social well-being is primary and in a way, profit takes a back seat or is more or less secondary but essential to the survival.



#### INTEXT QUESTIONS 1.2

- Match the following:

Column A	Column B
(a) Women entrepreneurship	i. Risk
(b) Small-scale entrepreneurship	ii. Size of enterprise
(c) Corporate entrepreneurship	iii. Ownership
(d) Trading entrepreneurship	iv. Gender
(e) Imitative entrepreneurship	v. Types of business

- State whether the following statements are true or false.
  - Bill Gates is an example of an innovative entrepreneur.
  - Corporate entrepreneurship is pioneered by Burgelman.
  - Shahnaz Husain is an example of women entrepreneurship.
  - Development of small shopping complexes is an example of imitative entrepreneurship.

**Notes**

3. Choose the correct option from the following:
- (a) A woman entrepreneur is supposed to have a minimum financial interest of:
    - (i) 35 percent
    - (ii) 51 percent
    - (iii) 75 percent
    - (iv) 100 percent
  - (b) The concept of social entrepreneurship came around:
    - (i) 1960
    - (ii) 1965
    - (iii) 1990
    - (iv) 2014
  - (c) Any business with a turnover of up to rupees five crore would be considered:
    - (i) A micro enterprise
    - (ii) A small enterprise
    - (iii) A medium enterprise
    - (iv) Large enterprise
  - (d) Any business with a turnover over rupees 75 crore but upto rupees 250 crore would be considered:
    - (i) A large enterprise
    - (ii) A small enterprise
    - (iii) A medium enterprise
    - (iv) A micro enterprise

### 1.5 SELF-EMPLOYMENT

The government is keen on pushing self-employment because it is virtually impossible to employ every one. There are three types of people. The first or



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A category has hardly any savings or wealth and has no choice but to take up whatever jobs are available, even if these are low-paying and casual. The second or B category who has some savings or wealth but choose to work in an office, factory or shop run by someone else and earn remuneration (salary or wages). The third or category directly involved in running or operating her or his own business/ shop in anticipation of profit. The first two categories are employed in others' business as employee or manager. People in category 'C' are known as solo preneur or self-employed.

Let us consider an example. If a professionally qualified person like a doctor or engineer works in any other organization for a fixed salary or fees, the person is not self-employed. If the same doctor starts practicing by opening his/her own clinic, then he/she is self-employed.

### Advantages and disadvantages of self-employment:

Advantages	Disadvantages
→ Freedom to choose exact type of work	→ Busy business schedule each day
→ Flexible working hours	→ Business income varies, but expenses are more constant
→ Educational degrees or certificates are optional	→ Stressful for business success
→ Potential to make an unlimited amount of money	→ No enjoyment of formal retirement planning
→ No formal leave or retirement dates	
→ Get the benefits of tax deduction and exemption under tax laws	
→ Self-esteem of being capable as a professional	

## 1.6 LIVELIHOOD

You may have noticed people from different parts of the country who have migrated in search of jobs. Poor people make temporary, unauthorised huts on the roadside which are known as shanties or slums. These people were previously earning their livelihood either through agriculture or handicrafts or they had no job opportunity. Since the land available to each family of village has remained the same and the number of family members has grown, supporting all of them through agriculture alone is tough. So, people migrated or moved to cities in search of jobs.

**Notes**

The government is addressing these problems by providing better farming techniques which increase crop production from the same piece of land, and also making other opportunities of employment and livelihood available close to or within the villages. It is also encouraging young people to start their own ventures by providing them training and finance.

### 1.6.1 Meaning of Livelihood

Livelihood means securing the basic necessity of life such as food, clothing, shelter, health and the capacity to acquire the above to meet the requirements of oneself and the family. The capacity to acquire the basic necessities of life can be possible by providing an opportunity to develop the capabilities through education and skills. The Government of India took considerable initiative for development of livelihood assets.



#### INTEXT QUESTIONS 1.3

Choose the correct option :

1. In self-employment, the person is free to choose:
  - (a) Time
  - (b) Place
  - (c) The manner of work to enjoy all the perks and profits
  - (d) All of the above
2. Which of the following is not the example of self-employment?
  - (a) Online tutoring
  - (b) Opening an online shop and doing regular business
  - (c) Running an errand service
  - (d) Teaching
3. Entrepreneurship is for people:
  - (a) who get salary
  - (b) who don't like work
  - (c) who have the ability to start their own business
  - (d) who do not want to take any risk in business

### 1.7 DIFFERENCE BETWEEN ENTREPRENEURSHIP AND EMPLOYMENT

Before choosing a particular vocation, one should be aware about the pros and cons of both i.e., job and entrepreneurship. That will help you to make a well-thought decision.



**1. On the basis of merits and demerits:**

	<b>Job</b>	<b>Entrepreneurship</b>
<b>Merits</b>	<ol style="list-style-type: none"> <li>1. You have a specific time for your work. Even if you have to work sometimes after the office hours, that is not the daily scenario.</li> <li>2. You get time for your other activities after your working hours.</li> <li>3. You get your salary at the end of each month.</li> <li>4. You get promotions and new job activities.</li> <li>5. You get a peer circle throughout your time in your cubicle</li> </ol>	<ol style="list-style-type: none"> <li>1. You don't report to anybody. You can work freely.</li> <li>2. Work hard and get remuneration accordingly. The better you provide products or services, the better are your prospects.</li> <li>3. You can take a day off as per your own convenience.</li> <li>4. You are your own boss. You are whatever you do.</li> <li>5. You can have job satisfaction along with desired career growth.</li> </ol>
<b>Demerits</b>	<ol style="list-style-type: none"> <li>1. You may not get due credit for your work.</li> <li>2. Hard work often gets unnoticed.</li> <li>3. The competition among your team may drive you crazy.</li> <li>4. Little or no job satisfaction</li> <li>5. Fear of losing job during slowdown or recession.</li> </ol>	<ol style="list-style-type: none"> <li>1. If you fail to deliver the desired result, chances are you lose your ground. The risk factor is high.</li> <li>2. No surety of financial success. There are many entrepreneurs who had to go back to their routine desk job.</li> <li>3. You virtually don't get leave even though you are your own boss.</li> <li>4. You don't have one boss, you have multiple. All the stake owners will expect you to provide better quality products or service.</li> <li>5. You may not get enough time to socialize or be with family.</li> </ol>

**2. On the basis of characteristics:**

Basis	Entrepreneurship	Job
1. Creation vs. Continuation	Entrepreneurship is about ideas, creation and developing something new and solving problems in a unique way.	Job is often about continuation of same work and doing it in much better way. Creativity may be useful and appreciable but is not necessary for survival as nurturing is not the priority. One needs to do work on time.
2. Risks	Entrepreneurship is risky in respect of losing initial investments due to failure of business	Jobs have relatively low financial risks. Yet, in the case of retrenchment or termination of job, you will lose money and may get a similar job at less salary.
3. Whole day vs. Fixed working hours	Entrepreneurs often lose track of time as they are solely responsible for their enterprise. They find it difficult to adjust to the demands of family and society.	People in job often work for fixed time and find enough time for their family.
4. Diversified vs. Concentrated skills	Entrepreneurship is a multi-skilled diversified field like one is to design, create one's own boat and then escape in it.	Job requires concentrated skills which can be obtained through education to become an expert in a specified area.
5. Explosive vs. Incremental	Entrepreneurship can lead to explosive growth if worked through practice which can make one rich and famous.	Jobs offer logical increments over time in the form of promotion resulting in increase in salary consistently with every rise in position.
6. Uncertainty of income vs. Certainty of salary	Entrepreneurship is not for people who cannot survive without any pay. It does not guarantee the certainty of profits for months, sometimes for years.	Jobs pay immediately and usually, salaries are fixed and certain.

**1.8 ENTREPRENEURSHIP AS A CAREER OPTION**

Have you always strived to do something differently and never loved working as a subordinate or employee? If you have, entrepreneurship may be the right choice for you. Entrepreneurship has been gaining popularity due to lack of opportunities in the formal sector. With the economy booming, the environment is conducive to entrepreneurship. Virtually anyone can become an entrepreneur as it does not require any formal qualification.



History is full of success stories by entrepreneurs who have successfully spotted an opportunity and capitalized on it. Entrepreneurs are playing constructive roles in fields as diverse as education, in the government sector and in the social sector.

Prominent factors that attract or distract individuals towards choosing entrepreneurship as a career option are:

- a. **Push Factors:** These factors push individuals away from entrepreneurship.
  - 1. Culture
  - 2. Individual preference for alternate source of employment
  - 3. Individual capabilities
- b. **Pull Factors:** These factors make individuals choose entrepreneurship as a career.
  - 1. Frustration or dissatisfaction in the present job
  - 2. Displacement form a job
  - 3. Not getting a job of choice or difficulty in finding a job
  - 4. Realizing the present job is in jeopardy due to moving towards closure
  - 5. Desire to start own business due to new business opportunity
  - 6. Conducive atmosphere including family history of entrepreneurship, financial stability, availability of infrastructure.



**INTEXT QUESTIONS 1.4**

- 1. Choose the correct option from the following :
  - 1. Lack of capability is concerned with:
    - (a) Pull factors
    - (b) Push factors
    - (c) Both (a) and (b)
    - (d) None of these
  - 2. Which of the following is not concerned with Push factors?
    - (a) Job dissatisfaction

**Notes**

- (b) Insufficient salary
- (c) Zeal to work
- (d) All of the above

**WHAT YOU HAVE LEARNT**

1. Entrepreneurship is an economic phenomenon involving a nexus of two phenomena, first, the presence of lucrative opportunities and second, the presence of enterprising individuals.
2. Entrepreneurship can be understood as the process of starting and running one's own business profitably using managerial caliber.
3. The choice of form of business ownership depends upon the quantum of risk an entrepreneur can bear because every form of business has its own merits and demerits.
4. Entrepreneurship means self-employment in which the person is free to choose the time, place and the manner of work to enjoy all the perks and profits and also bear all the risks and losses the business endures.
5. To earn livelihood and secure the basic needs of life such as food, water, shelter, clothing and health we take care of about the push factors which attract the people to start a venture.

**TERMINAL EXERCISE**

1. Define Entrepreneurship. Discuss its features.
2. What is corporate entrepreneurship?
3. What do you mean by self-employment?
4. What is meant by livelihood?
5. Define micro, small and medium enterprises.
6. Explain the different concepts of entrepreneurship.
7. Explain innovative entrepreneurship.
8. Describe imitative entrepreneurship.
9. Explain social entrepreneurship.



**Notes**

10. Describe women entrepreneurship.
11. Explain the push factors that discourage individuals from choosing entrepreneurship as a career option.
12. Differentiate between entrepreneurship and job.
13. State the merits and demerits of entrepreneurship.
14. State the merits and demerits of job.



**ANSWER TO INTEXT QUESTIONS**

**1.1**

1. (a) idea generation; promotion  
(b) utilization  
(c) profit-oriented business

**1.2**

1. (a) (iv)  
(b) (ii)  
(c) (iii)  
(d) (v)  
(e) (i)
2. (a) True  
(b) True  
(c) True  
(d) True
3. (a) (ii) (b) (i) (c) (i) (d) (iii)

**1.3**

1. (d)                      2. (d)                      3. (3)

**1.4**

1. 1. (b)                      2. (c)



Notes

**DO AND LEARN**

1. Organise a group of four students and go to a slum area nearby. Contact at least four individuals of different families and make a list about how they are earning their livelihood.
2. Organise a group of your friends from different walk of life and make a list of government initiatives for the self-employed. Meet at least four self-employed people and tell them about the government initiatives.

**CONCEPT MAP**

