

# GOVERNMENT ENGINEERING COLLEGE JHALAWAR

## Department of Management of Studies

**Discipline :** BBA

**Semester/Year:** II YEAR **Session** 2017-18

**Subject :** BBA 208C - ENTREPRENEURSHIP DEVELOPMENT

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### **Model Question Paper -I (With suggested solution)**

Q.1 Define Entrepreneur and Entrepreneurship.

Ans. An **entrepreneur** is a person who searches for change and responds to it by starting an enterprise. In the words of Adam Smith, "Entrepreneur is an individual who undertakes the formation of an organisation for commercial purposes by recognizing the potential demand for goods and services and thereby acts as an economic agent and transforms demand and supply."

**Entrepreneurship** is the process that involves all actions an entrepreneur undertakes to establish an enterprise to give reality to his business ideas. According to John Kaso and Howard Stavenson, "Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition," This definition recognizes that entrepreneurship involves the fusion of capital, technology and human talent to complete a project successfully and with reasonable degree of risk.

Q.2 Describe the Characteristics of Successful Entrepreneurs.

Ans. Successful Entrepreneurs have following qualities

- Hardworking,
- Alertness,
- Imaginative,
- Confident,
- Foresightedness,
- Optimistic,
- Ambitious

Q.3 Give Two objectives to promote small business are :

Ans. Two objectives to promote small business are as follows:

- To create immediate and permanent employment opportunities to public at large at a relatively small costs.
- SSI ensure balanced regional development. These industries can be developed in almost all areas including backward tribal, hilly and inaccessible areas. Thus they are helpful in achieving a wider spatial dispersal of industrial activities and reducing regional economic imbalances.

Q.4 Enumerate major Barriers in the way of entrepreneurship development in.

Ans Major Barriers in the way of entrepreneurship development in India are as follows:

- Social backwardness
- Indian entrepreneurs fear excessively for failure.
- Excessive interference

Q.5 Define the term “Infrastructural facilities”

Ans. Infrastructural facilities are generally defined as the physical framework of facilities through which goods and services are produced by the manufacturers or service providers and provided to the public. Its linkage to the economy are multiple and complex, because it affects production and consumption directly, and involves large flows of investment.

Q.6 Discuss the nature of Entrepreneurship

Ans. The nature of Entrepreneurship can be describe as follows

- (a) **Economic Activity:** Entrepreneurship involves the creation and operation of an enterprise. Therefore, it is essentially an economic activity concerned with of value or wealth.
- (b) **Creative Response to Environment:** Entrepreneurship involves innovation or introduction of something new. It is a creative response to the environment. An entrepreneur recognizes the need for change and initiates it. He does things in new and better ways.
- (c) **Purposeful Activity:** Entrepreneurship is the purposeful activity of an individual or a group of individuals who seek to earn profits through the production and distribution of economic goods and services.
- (d) **Dynamic Process:** Entrepreneurs thrive on the changing environment which brings new opportunities for business. Flexibility is the hallmark of a successful entrepreneur.
- (e) **Risk Element:** Entrepreneurs make decisions in the face of uncertainty. Therefore, risk is an inherent and inseparable element of entrepreneurship. Until the new venture idea becomes popular amongst the customers, it runs a family high degree of risk of incurring losses.
- (f) **Creator or Organisation:** An entrepreneur assembles and Co-ordinates other factors of production, i.e., land, labour and capital. Managerial skills and leadership are other very important facets of entrepreneurship.
- (g) **Gap Filling Function:** It is the job an entrepreneur to fill the gaps between needs and goods and services. He has to complete the inputs and provides the knowledge about the production process.
- (h) **Optimum Use of Resources:** An entrepreneur optimizes the use of resources by arriving at the most productive combination that will provide the society the needed goods and services.

Q.7 Define the term “**Entrepreneur**” and discuss **Types of Entrepreneur.**

Ans. **Entrepreneur:** Someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture.

**Types of Entrepreneur:**

1. **Innovative Entrepreneurs:** An innovative entrepreneur strives to collect all possible information and facts and indulges himself deeply in the proper analysis of the results

derived from activities: observe and identify the opportunities of introducing a new technique or method of production; launches a new product or service; discovers a new market; raises money to establish an enterprise; assembles the various resources and allocates them among properly selected executives; builds the organization, and reorganizes the enterprise. It may be noted that innovative entrepreneur can emerge and work only when a certain level of economic development has been achieved by a country and then its people look forward to further change, improvement, and progress. Hence generally such entrepreneurs are found in developed countries, and only a few in undeveloped countries.

2. **Adoptive or Imitative Entrepreneurs:** Such entrepreneurs do not innovate changes themselves. Instead, they adopt or imitate those successful innovations which are created by other innovative entrepreneurs. In other words, imitative entrepreneurs simply and only copy or imitate the new technology or technique or product services innovated by others. It may be noted that the existence of imitative entrepreneurs is quite purposeful and significant in an underdeveloped or a developing country. Hence imitative entrepreneurs become important in such economies because they exploit possibilities of launching through imitation those products or services in their own country, which have already been innovatively introduced by innovative entrepreneurs in developed countries.

3. **Fabian Entrepreneurs:** Fabian entrepreneur are characterized by great precaution and skepticism in experimenting or introducing any change in technology or product or market. Moreover, they do not have any will or desire to adopt or imitate new method innovated by innovative entrepreneurs. In fact such entrepreneurs are very shy, lazy and fearful of unwanted risk. They imitate only when they clearly feel that if they do not imitate then it would be fatal to them and result in a loss of relative position of the enterprise in their industrial field.

4. **Drone Entrepreneurs:** ‘Drone’ means a person who lives off the work of others. Drone entrepreneurs keep themselves away from the innovations made by others. In fact, they refuse to adopt and use opportunities to make changes in production either methods or products, even though they may suffer losses or face reduced return relative to other entrepreneurs in the same field of activity. They lay behind others in progress or development and continue to operate on traditional lines without indulging in any kind of changes. Sometimes when their products or services lose

Q.8 Describe positive and negative aspects of Entrepreneurship

Ans. positive and negative aspects of Entrepreneurship are as follows

**Positive aspects of entrepreneurship**

- Being the boss if his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and act on them.
- There are numerous opportunities for his self- development.
- Working on one’s own and thus getting rewards yields immense satisfaction and pleasure for more than what he can get in a job.
- Monetary rewards can be more than commensurate with his capacity and capabilities.

- He can command deference and respect of his immediate family and friends. It is a kind of intangible reward.
- Instead of depending on others, he generates employment for others.
- He can make significant contribution to the development of the country and be proud of taking part in nation building activities.
- He can be a great achiever realising his goals and proving his achievements to the world. He can be recognised for his outstanding efforts.

**Negative aspects**

- Though an entrepreneur is his own boss, in some respects he is not. It is so because he is constrained by various people like his financiers, labourers, suppliers, customers and so on.
- He may have to face frustration since the scope of his operations is limited by his limited resources.
- He has to work long and hard hours from morning to dusk and his venture tends to absorb all his energy and time. This may affect his social and family life
- At times he may have to face disappointments and frustrations since everything in his venture may not always work the way he would like it to.
- He has to always work with tension since there is always the risk of failure.

Q.9 Define Entrepreneurship Development Programmes. Discuss their objectives and the Phases of EDPs in brief.

Ans. **Entrepreneurship Development Programmes:** As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

**Let us also consider a few important definitions of EDPs given by institutions and experts:**

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as “an attempt to develop a person as entrepreneur through structural training.

The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society.”

According to N. P. Singh (1985), “Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose.” Now, we can easily define EDP as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

**Objectives of EDP:**

**The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:**

- a. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.
- b. Analyse environmental set up relating to small industry and small business.
- c. Select the product.
- d. Formulate proposal for the product.
- e. Understand the process and procedure involved in setting up a small enterprise.
- f. Know the sources of help and support available for starting a small scale industry.
- g. Acquire the necessary managerial skills required to run a small-scale industry.
- h. Know the pros and cons in becoming an entrepreneur.
- i. Appreciate the needed entrepreneurial discipline.
- j. Besides, some of the other important objectives of the EDPs are to:
- k. Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.
- l. Prepare him / her to accept the uncertainty in running a business.
- m. Enable him / her to take decisions.
- n. Enable to communicate clearly and effectively.
- o. Develop a broad vision about the business.
- p. Make him subscribe to the industrial democracy.
- q. Develop passion for integrity and honesty.
- r. Make him learn compliance with law.

**Phases of EDPs :**EDPs consist of three phases. These are: (i) Stimulating (ii) Supporting (iii) Sustaining. The holistic model of training is used by many practitioners in India for developing and organising relevant entrepreneurship development programmes. The three phases of this model may be described as follows:

1. **Stimulating Phase:** This phase includes some of the following topical functions:

- (i) Entrepreneurial awareness,
- (ii) Entrepreneurial motivation,
- (iii) Planned publicity for entrepreneurial opportunities,
- (iv) Identification of potential entrepreneurs,
- (v) Information on project planning and implementation,
- (vi) Assistance in product/service identification and market survey,
- (vii) Assistance in preparation of business plan/project report,
- (viii) Help in development of new product/service,
- (ix) Counselling.

2. **Supporting Phase:** This phase involves some of the following functions

- (i) Assistance in registration of an enterprise,
- (ii) Assistance in obtaining finance,
- (iii) Help in getting land,
- (iv) Help in obtaining various permissions and licences,
- (v) Guidance in selection and erection of plant and equipment,
- (vi) Supply of scarce raw materials,

- (vii) Grants of incentives and subsidies,
- (viii) Assistance in marketing,
- (ix) Provision of management consultancy.

3. **Sustaining Phase:** This phase includes some of the following functions:

- (i) Modernisation of units,
- (ii) Diversification, expansion or product substitution,
- (iii) Assistance in improving business and profitability,
- (iv) Creation of need based common facility center,
- (v) Deferred repayment/interest,
- (vi) Product standardisation and testing services,
- (vii) Additional finances for rehabilitation of units.

Q.10 Discuss the role of Entrepreneurship in economic development.

Ans. Entrepreneurship plays an influential role in the economic growth and standard of living of the country. As a startup founder or small business owner, you may think that you are simply working hard to build your own business and provide for yourself and your family. But you are actually doing a whole lot more for your local community, state, region, and the country as a whole. Here are the top 7 important roles an entrepreneur plays in the economic development of a country.

**1. Wealth Creation and Sharing:** By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

**2. Create Jobs:** Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as StartupIndia to promote and support new startups, and also others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.

**3. Balanced Regional Development:** Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

**4. GDP and Per Capita Income:** India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

**5. Standard of Living:** Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

**6. Exports:** Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

**7. Community Development:** Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.

So, there is a very important role for entrepreneurs to spark economic development by starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development.