

# MODEL QUESTION PAPER

CS&IT - II year

**Subject Name: 4CS10A Business Entrepreneurship Development**

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## **Q1. What is entrepreneur, entrepreneurship and enterprise?**

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.

An entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act.

## **Q2. What are the types of Entrepreneurs?**

Ans. Types of entrepreneurs:

(a) **Innovating Entrepreneurs:** An innovating entrepreneur is one who introduces new goods, inaugurates new method of production, discovers new market and reorganizes the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and improvement. Generally, they are typical of developed countries.

(b) **Imitative Entrepreneurs:** These are characterized by readiness to adopt successful innovations inaugurated by successful innovating entrepreneurs. They lap up innovations originate by innovating entrepreneurs. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. Such types of entrepreneurs are particularly suitable for the underdeveloped regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in development regions.

(c) **Fabian Entrepreneurs:** Fabian entrepreneurs are characterized by very great caution and skepticism in experimenting and change in their enterprise. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises. They are lazy and shy and lack the will to adopt to new methods of production.

(d) **Drone Entrepreneurs:** Drone entrepreneurs are characterized by a refusal to adopt opportunities to make changes in production formulate even at the cost of severely reduced returns relative to other like producers. Such entrepreneurs may even suffer losses but they are not ready to make changes in their existing production methods. They struggle to exist, not to grow. Thus, they are laggards as they continue to operate in their traditional way and resist changes.

### **Q3. What is the need of Entrepreneurship?**

Ans. The need of Entrepreneurship is:

1. **Entrepreneurship as Career Option:** An educated person has broadly two career option. One is called wage or salary employment, wherein people are employed in government service, public and private sectors and get fixed wage or salary. The other career option is entrepreneurial employment under which people set up their new ventures. Wage employment does not generate resources and is organized which in the existing wealth. Wage employment is self-saturating. Once availed, it blocks the employment opportunity to others for another 10 years. On the other hand, the latter contributes towards national wealth and has a unique characteristic of self-generation. This starts a chain of activities that create unending employment opportunities. Entrepreneurship promotes small saving amongst middle class individuals for investment into new ventures. It also provides an outlet that creates an urge among individuals to attain excellence in product design and related innovation. Thus, entrepreneurship provides a lasting solution to the acute problem of unemployment.

2. **National Income:** National Income consists of goods and services produced in the country and imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with ever increasing population and improving standard of living. The export demand also increases to meet the needs of growing import due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus, entrepreneurship increases the national income.

3. **Employment Generation:** Growing unemployment, particularly educated unemployment is an acute problem of the nation. The available employment opportunities can cater to only 5 to 10 per cent of the unemployed. If a hundred persons become entrepreneurs they not only create a hundred jobs for themselves but also provide employment to many more. As the time passes these enterprises growth providing direct and indirect employment to many more. Thus, entrepreneurship is the best way to fight the evil of unemployment.

**4. Balanced Regional Development:** The growth of industry and business leads to a large number of public benefits like road transport, health, education, entertainment etc. When the industries are concentrated in selected cities, the development gets limited to these cities. Till late sixties, 50 per cent of industrial enterprises were located in only six cities of India. A rapid development of entrepreneurship ensures a balanced regional development. When the new entrepreneurs grow at a faster pace, in view of the increasing competition in and around the cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of the backward regions.

**5. Dispersal of Economic Power:** The world affairs have been dominated by power. There have always been two types of power, i.e., muscle power and economic power. In the modern age, the muscle power has lost its relevance and the world is ruled by the economic power. Economic power is the natural outcome of industrial and business activity. Industrial development normally can lead to concentration of economic power in few hands. This concentration of power in few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population. This in turn causes hindrance to the growth of monopolies, which exist partly because of lack of sufficient number of entrepreneurs. Setting up of a large number of enterprises for the goods helps in weakening the harmful effects of monopoly.

**Q4. Difference between Entrepreneur and Manager?**

Ans.

Basis	Entrepreneur	Manager
1. Venture creation	An entrepreneurs sets up a new venture and runs it.	A manager only runs an existing unit.
2. Innovation	Entrepreneurship is another name of innovation. He works to find new methods, products, etc.	A manager is an employee of the business organisation. He cannot operate independently.
3. Risk-taking	An entrepreneur starts and runs his venture independently. He is self-employed and is his own basis.	A manger takes less risk at compared to an entrepreneur. He is less tolerant to uncertainty. He does not share business risks.
4. Status	An entrepreneur takes calculated risk. He may even jeopardize his own financial security. He is responsible for failure and financial loss.	A manager need not be an innovator. He deals with the day-to-day affairs of a going concern.

5. Reward	An entrepreneur is motivated by profits. He may even suffer a loss.	A manager is motivated by rewards or incentives. His salary cannot be negative.
6. Change	An entrepreneur is responsive to external environments and is always prepared to change.	A manager may not very receptive to change, unless he is enterprising.

### Q5. What is the role of Entrepreneurship in Economic Development?

Ans. Role of entrepreneurship in economic development:

- i. **Capital formation:** Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.
- ii. **Improvement in per capita income:** Entrepreneurs locate and exploit opportunities. They convert the latest and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase. Net National Product and per capita income in the country, which are important yardsticks for measuring economic growth.
- iii. **Generation of employment:** Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honourable life. Indirect, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.
- iv. **Balanced regional development:** Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail of the various concessions and subsidies offered by the Central and State Governments. Public sector steel plants, and private sector industries by Modis, Tatas, Birlas and other have put the hitherto unknown places on the international map.
- v. **Improvement in living standards:** Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of good on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standard of life of a common man. These offer goods at lower costs and increase variety in consumption.
- vi. **Economic independence:** Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country. Such import sub-

situation and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

vii. **Backward and forward linkages:** An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example, the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc. these are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

#### **Q6. How Entrepreneurship and Innovation related to each other?**

Ans. According to Schumpeter, an entrepreneur is basically an innovator who introduces new combinations of means of production. Entrepreneurship is a creative activity and the entrepreneur introduces something new in any branch of economic activity. The carrying out of a new combination implies employment of productive means in a changed form. It is not necessary that new combination is carried out by people who control the product or commercial process. A new combination can be carried out by employing both unused and used means of production. As an innovator, entrepreneur foresees the potentially profitable opportunity and tries to exploit it. He is a problem solver and gets satisfaction by attacking problems.

Some people believe that innovations are carried out by big firms. The truth is that most of the innovations are the handiwork of small firms. Large firms may have strong organisation structures and management skills but they lack flexibility. Due to their intrinsic flexibility small firms can react rapidly to new demands and easily exploit new ideas. A large firm working under the constraints of size and competition tends to perfect existing lines of production in order to increase profits. On the other hand, a small firm tries to exploit the gaps in the production system. Unlike the giant, it is not obliged to engage in expensive conversion and can launch itself on new, narrow or risky markets.