



The Motto of Our University  
(SEWA)

SKILL ENHANCEMENT

EMPLOYABILITY

WISDOM

ACCESSIBILITY

**JAGAT GURU NANAK DEV  
PUNJAB STATE OPEN UNIVERSITY, PATIALA**

(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)

**B.COM (HONS.)**

**SEMESTER - V**

**BCB33505T**

**ENTREPRENEURSHIP DEVELOPMENT**

**Head Quarter: C/28, The Lower Mall, Patiala-147001**  
**Website: [www.psou.ac.in](http://www.psou.ac.in)**

The Study Material has been prepared exclusively under the guidance of Jagat Guru Nanak Dev Punjab State Open University, Patiala, as per the syllabi prepared by Committee of Experts and approved by the Academic Council.

The University reserves all the copyrights of the study material. No part of this publication may be reproduced or transmitted in any form.

## **COURSE COORDINATOR AND EDITOR:**

Dr. Sulakshna Dwivedi

Associate Professor

School of Business Management and Commerce

Jagat Guru Nanak Dev Punjab State Open University, Patiala

## **LIST OF CONSULTANTS/ CONTRIBUTORS**

1. Dr. Sulakshna Dwivedi
2. Dr. Vikasdeep
3. Dr. Kuldeep Walia
4. Dr. Jasleen Kaur
5. Dr. Pooja Aggarwal
6. Dr. Shashi Kala





## **JAGAT GURU NANAK DEV PUNJAB STATE OPEN UNIVERSITY, PATIALA**

**(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)**

### **PREFACE**

Jagat Guru Nanak Dev Punjab State Open University, Patiala was established in December 2019 by Act 19 of the Legislature of State of Punjab. It is the first and only Open University of the State, entrusted with the responsibility of making higher education accessible to all, especially to those sections of society who do not have the means, time or opportunity to pursue regular education.

In keeping with the nature of an Open University, this University provides a flexible education system to suit every need. The time given to complete a programme is double the duration of a regular mode programme. Well-designed study material has been prepared in consultation with experts in their respective fields.

The University offers programmes which have been designed to provide relevant, skill-based and employability-enhancing education. The study material provided in this booklet is self-instructional, with self-assessment exercises, and recommendations for further readings. The syllabus has been divided in sections, and provided as units for simplification.

The University has a network of 110 Learner Support Centres /Study Centres, to enable students to make use of reading facilities, and for curriculum-based counseling and practicals. We, at the University, welcome you to be a part of this institution of knowledge.

Prof. G.S. Batra  
Dean Academic Affairs

**B. Com (Hons.)**  
**SKILL ENHANCEMENT COURSE (SEC)**  
**SEMESTER-V**  
**(BCB33505T): ENTREPRENEURSHIP DEVELOPMENT**

**MAX. MARKS: 100**

**EXTERNAL: 70**

**INTERNAL: 30**

**PASS: 40%**

**Credits: 4**

**Objectives:**

The basic objective of this course is to help the learners understand various issues involved in setting up a private enterprise and develop required entrepreneurial skills in economic development. It also aims to motivate students to opt for entrepreneurship and self-employment as alternate career options.

**Course Outcomes:**

CO 1:	To understand concept of entrepreneurship, its theories entrepreneurial mind-set and Innovation.
CO 2:	Analyze the entrepreneurial process for establishing a new venture.
CO 3:	To evaluate the entrepreneurial environment and analyze the role of women entrepreneurs
CO 4:	To analyze the role of MSMEs in the National Economy

**SECTION A**

**Block I: Basics of Entrepreneurship and Innovation-** Concept, Theories, Characteristics, Entrepreneurial mindset. Innovation- meaning, features, and need. Latest innovations in manufacturing and service sectors. Social and commercial entrepreneurship.

Generation of business ideas; Opportunity sensing and identification; Test of feasibility of business ideas; Developing a business proposal, contents of a business plan/project report; Project appraisal by external agencies. Business Planning.

**Block II: Entrepreneurial Development Programmes**

Entrepreneurial Development Programmes: their Relevance and Achievement, Role of Government in Organizing EDPs. Women Entrepreneurship: Problems Faced, Suggestions, Role of Government to promote Women Entrepreneurship.

**SECTION B**

**Block III: Medium Small and Micro Enterprises (MSMEs) and Start -Ups:**

Medium Small and Micro Enterprises (MSMEs) and Start -Ups: Definition, Registration process and its procedure, Benefits of registration. MSMEs--- Seed Bed of Entrepreneurship; Start up- Its Concept, steps and need. Product Planning and Management; Marketing Management; Growth and Diversification Strategies. Logistics management—meaning, features, and its role in business enterprises.

**Block IV: Role of MSMEs in the National Economy and role of e-commerce and m-commerce in promoting small business**

Role of MSMEs in the National Economy Role of ecommerce and m-commerce in promoting small business. Small Business and Modern Technology. Tax Considerations/tax benefits to MSMEs; MSME'S Exemptions.

**Suggested readings:**

1. Desai, Vasant (2003). *Small-Scale Industries and Entrepreneurship*. Himalaya Publishing House, Delhi.
2. Desai, V. (2008). *Small Scale Industries and Entrepreneurship: In the Twenty-first Century: Spirit of Enterprise*. Himalaya publishing house.
3. Kaulgud, Aruna (2003). *Entrepreneurship Management*. Vikas Publishing House, Delhi.
4. Chandra, Ravi (2003). *Entrepreneurial Success: A Psychological Study*. Sterling Publication Pvt. Ltd., New Delhi.

5. Balaraju, Theduri (2004). *Entrepreneurship Development: An Analytical Study*. Akansha Publishing House, Uttam Nagar, New Delhi

**INSTRUCTIONS FOR THE CANDIDATES:**

Candidates are required to attempt any two questions each from the sections A and B of the question paper and any ten short questions from Section C. They have to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.

**BACHELOR OF COMMERCE (HONS.)  
ENTREPRENEURSHIP DEVELOPMENT  
SKILL ENHANCEMENT COURSE (SEC)  
SEMESTER - V**

**SECTION A**

<b>Unit No.</b>	<b>Name of the Unit</b>
<b>Unit 1</b>	Entrepreneurship- Concept, Theories, Characteristics, Entrepreneurial mindset. Social and commercial entrepreneurship
<b>Unit 2</b>	Innovation- meaning, features, and need. Latest innovations in Manufacturing and service sectors.
<b>Unit 3</b>	Entrepreneurial Process: Generation of business ideas; Opportunity sensing and identification; Test of feasibility of business ideas; Developing a business proposal, contents of a business plan/project report; Project appraisal by external agencies.
<b>Unit 4</b>	Entrepreneurial Development Programmes-- their Relevance and Achievement, Role of Government in Organizing EDPs.
<b>Unit 5</b>	Women Entrepreneurship- Problems Faced, Suggestions, Role of Government to promote Women Entrepreneurship.

**SECTION B**

<b>Unit 6</b>	MSMEs –Definition, Registration process and its procedure, Benefits of registration. Tax Considerations/tax benefits to MSMEs; MSME’S Exemptions.
<b>Unit 7</b>	MSMEs--- Seed Bed of Entrepreneurship; Start up- Its Concept, Steps and need. Role of MSMEs in the National Economy
<b>Unit 8</b>	Product Planning and Management; Marketing Management; Growth and Diversification Strategies.
<b>Unit 9</b>	Logistics management—meaning, features, and its role in business Enterprises.
<b>Unit 10</b>	Role of e-commerce and m-commerce in promoting small business. Small Business and Modern Technology

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

<b>UNIT I: ENTREPRENEURSHIP – CONCEPT, THEORIES, CHARACTERISTICS, ENTREPRENEURIAL MINDSET, SOCIAL AND COMMERCIAL ENTREPRENEURSHIP</b>
---

**Structure**

**1.0 Objectives**

**1.1 Introduction**

**1.2 Concept of entrepreneurship**

**1.2.1 Who is an entrepreneur?**

**1.2.2 Definitions of entrepreneurship**

**1.2.3 How entrepreneurship works**

**1.2.4 Types of entrepreneurs**

**1.3 Characteristics of entrepreneurship**

**1.4 Theories of entrepreneurship**

**1.5 Entrepreneurial mindset**

**1.5.1 What is an entrepreneurial mindset?**

**1.5.2 Entrepreneurial mindset resources**

**1.6 Social Entrepreneurship**

**1.6.1 Meaning**

**1.6.2 Characteristics of Social Enterprise**

**1.7 Commercial Entrepreneurship**

**1.8 Let Us Sum Up**

**1.9 To check the progress**

**Long answer questions**

**Short answer questions**

**Glossary**

**References**



## **1.0 Objectives**

After studying the Unit, you would be able to: -

- Understand the detailed concept of Entrepreneurship along with the characteristics.
- Explore theories of Entrepreneurship
- Find out the origin of Entrepreneurial mindset.

## **1.1 Introduction**

The art of launching a firm or an enterprise that offers a unique product, procedure, or service is known as entrepreneurship. Entrepreneurship can mean many various things, including innovation, taking risks, adventuring, and creating money. The term entrepreneurship first appeared in the French dictionary in 1723 and is derived from a French word 'Entreprendre'. This word means 'to undertake', 'to pursue opportunities', or 'to fulfill needs. It also points towards innovation and starting businesses.

As per the historical facts, Ricardo Cantillon (Kent, 1984) an Irish Banker who in economics taken 'entreprendre' as "an agent who assembles material/inputs for producing goods at a specific price and through coordination of those inputs produces goods whose sales price is uncertain in comparison with production cost". Furthermore, for the Frenchman J.B. (1824) Say, 'entrepreneur' means an economic agent bringing together the factors of production to create new wealth.

According to Oxford English dictionary, the word 'entreprendre' termed as "entrepreneur" in 1897 as "director or manager of a public musical institution; one who gets up entertainments, especially musical performance". Whereas the same dictionary revised its meaning in 1933 and defined it as "a contractor acting as an intermediary between capital and labor". According to Webster's Third New International Dictionary (1961) it means; 'an organizer of an economic venture, especially one who organizes, owns, manages, and assumes the risk of a business.

## **1.2 Concept of Entrepreneurship**

### **1.2.1 Who is an Entrepreneur?**

An entrepreneur is someone who develops fresh concepts and launches a firm while taking on most of the risks. The entrepreneur is frequently viewed as an innovator, a source of fresh concepts, products, and services tailored to market demands. Along with leadership qualities,

it is ideal to have managerial ability and strong team-building capabilities to be a successful entrepreneur. An entrepreneur views everything as a chance and makes decisions to take advantage of good business possibilities. An entrepreneur is someone who invents, creates, borrows buys, etc.

Among famous entrepreneurs include Anil Ambani, Azim Premji, Lakshmi Mittal, Ekta Kapoor etc. Therefore, an entrepreneur is a creator who provides new sources of material, markets, techniques of production, or other innovations. While entrepreneurship refers to the act of starting a business.

### **1.2.2 Definitions of Entrepreneurship**

Different authors give different definitions of entrepreneurship. Some people view entrepreneurship as an invention, while others refer to it as "risk-bearing." Let's explore some of entrepreneurship's definitions so that we can fully comprehend what it means:

Entrepreneurship is any kind of innovative function that could have a bearing on the welfare of an entrepreneur.”- Joseph A. Schumpeter (1934).

“Entrepreneurship is the dynamic process of creating incremental wealth.”– Robert C. Ronstadt (1984)

“Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence.” - Robert D. Hisrich and Michael P. Peters (1998).

According to all definitions, entrepreneurship refers to all the tasks an entrepreneur completes to start a business. To put it another way, entrepreneurship is what businesspeople do.

### **1.2.3 How Entrepreneurship Works**

Entrepreneurship is the capacity and willingness to create, plan, and manage a business operation, including all its uncertainties, with the goal of turning a profit. Many economists include entrepreneurship in the same category as other resources essential to production like land, labour, capital, and organization. Land, labour, and capital are combined by an entrepreneur to produce things or render services. For this, the business owner must create a

business plan that addresses funding, resource acquisition, and the hiring of staff, among other things. The entrepreneur must also decide on the management style needed for the company. Discovering new things and taking risks define an entrepreneurial vision. Any country's ability to prosper in a world market that is always evolving and becoming more competitive heavily depends on its residents' entrepreneurial abilities. Thus, the two fundamental components of entrepreneurship are thought to be invention and taking calculated risks. Let's examine the definitions of these two terms:

➤ **Innovation**

An entrepreneur defines innovation as doing something novel or distinctive. Entrepreneurs are driven to innovate and create something special in response to the shifting consumer tastes. They are expected to be able to utilize the inventions for their businesses even though they are not always required to be the developers of new items or techniques of production. For instance, fruit juice is now sold in small cartons rather than bottles to make it easier to transport and discard after use.

➤ **Risk-Bearing**

Starting a new business is always risky. Any form of business may experience profits or losses in its early stages. The business climate is subject to a variety of circumstances, including rising competition, shifting consumer preferences, a lack of raw materials, and others.

An entrepreneur needs to have the courage to take on the risk associated with their business. He must accept risks rather than avoid them. Every failure must serve as a reminder to him to take more risks because doing so will ultimately lead to success. The Japanese saying goes, "Fall seven times, stand up eight."

#### **1.2.4 Types of Entrepreneurships**

There are several types of entrepreneurs, and thus, various types of enterprises. The following list of entrepreneurships has been provided:

- **Small Business Entrepreneurship**

The goal of small business entrepreneurship is to launch a company without growing it into a massive conglomerate or establishing numerous chains. Small business entrepreneurial

examples include a restaurant, supermarket, retail store where you can sell your handcrafted goods, etc. with only one location. Small business founders typically invest their own funds and are successful if their operation is profitable. They only accept a loan if it is necessary or if it helps the firm run smoothly.

- **Scalable Startup**

These are businesses that are founded on an original concept. Such startups come to the market with a distinct good or service, and they keep expanding their business and continuously scaling up over time. These businesses primarily need investors and substantial quantities of start-up funding to expand their ideas and reach different markets.

- **Large Company**

Large business Entrepreneurship is the creation of a new type of business within an established one. The current business intends to enter new markets or work with cutting-edge technologies. Such companies' executives either envision a new market for the business or the company's employees come up with the concepts that kick off the process.

- **Social Entrepreneurship**

The goal of social entrepreneurship is to improve society and all of humanity. Communities or the environment are facilitated by their products and services. The goal is to help the world around them rather than just make profits.

### 1.3 **Characteristics of Entrepreneurship**

There are specific qualities that entrepreneurship must have in order to succeed. The following are a handful of them: -

- **Risk Taker-** Starting a new business carries a high risk of failure. Being an entrepreneur requires a certain amount of bravery and the ability to take risks. Entrepreneurs typically steer clear of low-risk situations.
- **Novelty-** To come up with fresh concepts and launch a business, entrepreneurship should be very innovative. When a new product is introduced to the market, the entrepreneur brings about change. He might also create a method that accomplishes the same task more effectively and cheaply.

- **Creative and Management quality-** Leaders guide their team members towards the proper route for success through their leadership qualities. The business owner should also have a distinct vision for his new venture. In the wake of demonetization, for instance, Rupay, Google Pay, and Paytm among others realized the necessity for online transactions.
- **Flexibility-** An entrepreneur needs to be adaptable enough to shift as necessary. He should be prepared to accept changes in a product or service in response to market demands.
- **Mindfulness-** An entrepreneur should be familiar with the available products and the most recent market trends. For this, he needs to be aware of the goods and services that fall within the purview of the current market. Entrepreneurship requires the ability to adapt the offering as necessary.
- **Robust-** A successful entrepreneur must be tenacious in the face of any challenges. They must keep moving forward even when they experience rejection or failure. Starting a business requires learning, and every learning process has a learning curve that can be challenging, especially when money is involved.
- **Attentive-** A successful business owner must maintain concentration and be free of doubts that may surface while managing a company. Entrepreneurs risk failure and losing the end goal by not trusting their intuition and ideas. A successful business owner must constantly keep in mind the original goal for beginning the company and stay on track to complete it.
- **Business Canny-** An entrepreneur should have the financial acumen necessary to manage the finances and financial records required for operating their own business. He must constantly monitor income, expenses, and potential ways to reduce or grow them. It is essential to understand the target market, rivals, strengths, and limitations before putting a strong business strategy into action.
- **Communicators-** An entrepreneur needs to be skilled in effective communication. Effective communication is crucial in virtually every aspect of life. Additionally, it is crucial for managing a firm. Effectively communicating ideas and tactics to potential investors is another aspect of good communication.

#### 1.4 Theories of Entrepreneurship

There are various types of entrepreneurs, and various authors have used various definitions

of the term. As a result, the following are some theories of entrepreneurship that have developed over time: -

- a) Economic theories: Schumpeter's Theory of Innovation, Mark Casson Theory
- b) Sociological theories: Max Weber's Theory of Social Change (Emphasis on Impact of Religion), E. E. Hagen's Theory (Emphasis on Withdrawal of Status Respect)
- c) Profit theory: The Uncertainty-Bearing Theory of Knight
- d) Psychological theories: Kunkel's Theory (Emphasis on Entrepreneurial Supply)
- e) Cultural theory: Hoselitz's Theory (Emphasis on Marginal Groups)
- f) X-Efficiency theory: Leibenstein's Theory (Emphasis on X-Efficiency)
- g) Other theories: Theory of Frank Young (Emphasis on Changes in Group Level Pattern), M. Kirzner's theory, Baumol's theory, Peter Drucker's theory on Entrepreneurship.

Let us explain theories of entrepreneurship in detail: -

- a) **Economic Theories:** Economists such as Schumpeter and Mark Casson have contributed towards theories of entrepreneurship as follows: -

➤ **Schumpeter's theory of innovation:**

The original author of the cutting-edge theory of entrepreneurship is Joseph Schumpeter. He considers the situation of a closed, capitalist economy that is in stationary equilibrium. He thought that business owners, by introducing innovation, elevate the economy to a new stage of growth and so alter the way the economy circulates. According to Schumpeter, an entrepreneur is a person with the capacity to offer something completely new, not just a man with average managerial skills.

Additionally, Schumpeter distinguished between innovation and invention. He explained that innovation is the usage of new materials in industry while invention refers to the production of new materials. A similar distinction may be made between an innovator and an inventor: the former creates new materials and processes, whilst the latter makes use of these findings to create novel combinations.

Criticism: Schumpeter's theory is that it overemphasizes the inventive functions of the entrepreneur while ignoring the organizing components of entrepreneurship.

➤ **Mark Casson Theory:**

There is no well-established economic theory of the entrepreneur, claims Mark Casson's theory. An entrepreneur could be a small business owner or a real estate developer. He offered a fair assessment on the entrepreneur topic. The Theoretical Reconstruction by Mark Casson moves forward on two fronts. In the first, it is stated that people differ not only in terms of their likes but also in terms of how they obtain information. If two people have similar tastes but different information, their decisions may differ. The second explains how the need for reconstruction as a result of the realization of the challenges is involved in market organization. According to Mark Casson, a transaction carries a large resource cost; as a result, the entrepreneur's success rests on his ability to reduce the transaction cost.

Thus, According to Mark Casson, the entrepreneur is defined as someone who specializes in taking judgmental decisions about the coordination of scarce resources.

b) **Sociological Theories:** These theories are comprised of Max Weber's Theory of Social Change (Emphasis on Impact of Religion), E. E. Hagen's Theory (Emphasis on Withdrawal of Status Respect) discussed as follows: -

➤ **Max Weber's Theory of Social Change (Emphasis on Impact of Religion):**

Max Weber asserted that religion had a significant impact on the rise of entrepreneurship. He believed that societal explanations for the rise in entrepreneurship needed to be taken into account as well. He believed that religious ideas developed and supplied the entrepreneurial energies of a society. Some faiths believe that getting money is the most important job. While some place less importance on it. The spirit of capitalism, according to Max Weber, is a fundamental idea. The economic system known as capitalism allows demand and supply to operate freely.

Therefore, the spirit of capitalism encourages businesspeople to pursue their own ventures and make increasing profits. Hinduism's belief structures, in Weber's opinion, discourage entrepreneurship because materialism and wealth acquisition were less important in Hinduism. According to Weber, the Protestant morality gave society the mentality that supports capitalism and entrepreneurship. The Protestants made strides towards introducing capitalism to Europe. They were given the mindset of gaining wealth and materialism by the

Protestant morality.

Criticism: Max Weber's idea has been proven to be false empirically and is founded on erroneous and flawed assumptions. Numerous sociologists have criticised him for his presumptions regarding Hinduism and entrepreneurship. His beliefs about Hinduism were refuted by the growth of enterprise, just as it had done in India after freedom. Additionally, the Protestant ethic viewpoints were rejected. Where there was no Protestant ethic, capitalism also thrived.

Hagen's Theory (Emphasis on Withdrawal of Status Respect):

E. Hagen presumes a general model of society. According to his viewpoint, an entrepreneur is a resourceful problem solver who promotes economic growth. Economic growth and social transformation are brought about by entrepreneurs. He discouraged the businesspeople from copying western technology. Hagen contends that aggressive entrepreneurism results from a social group losing status esteem. In such a circumstance, the group that has lost status attempts to reclaim it through entrepreneurship.

Hagen described four possible reactions to the 'Withdrawal of status respect': -

- (i) The retreatist – A person who contributes to society but is unconcerned with their position or job.
- (ii) The ritualist – a person who complies with socially acceptable job practices but has no chance of moving up the corporate ladder.
- (iii) The reformist – A person who works to create a new society and fights against injustice.
- (iv) The innovator – A person who works to improve things for the better. This personality affects how an entrepreneur will behave.

Criticism: Hagen's Theory has drawn criticism since it does not always hold true that social organisations must act in the way it suggests. This view disregards additional elements that may have contributed to the growth of entrepreneurship.

c) **Profit Theory:** Its overview includes Knight's Uncertainty-Bearing Theory. In his 1957 book Risk, Uncertainty and Profit, Frank H. Knight emphasizes that an entrepreneur's profit is their reward for assuming uncertainties and non-insurable risks. Genuine risk taking is a



part of entrepreneurship. Risk had two categories, according to Knight: -

- Insurable Risks and
- Non-Insurable Risks

Risks that are measurable are referred to as insurable risks. Such risks can be covered since the likelihood of such a risk can be scientifically calculated. For instance, theft of goods, business fires, unintentional fatality, etc.

On the other hand, non-insurable risks cannot be quantified, and their likelihood of occurring cannot be determined statistically. Risks, for instance, connected to shifts in supply, demand, and pricing. These hazards cannot be insured.

According to Prof. Knight, the profit is the compensation for assuming the risks and uncertainties that are not insurable. The risk associated with the business is carried by the entrepreneur.

Criticism: F.H. Knight's thesis has some flaws, including the fact that it does not explicitly describe the role of an entrepreneur. In addition, his idea discussed profit in a hazy manner as the entrepreneur's residual revenue. Additionally, uncertainty-bearing should not be considered alongside other production inputs like land, labour, and capital.

#### **d) Psychological theory: Kunkel's Theory (Emphasis on Entrepreneurial Supply)**

John H. Kunkel promoted the thesis regarding the construction of the supply of entrepreneurship. According to him, sociological and psychological factors have a major role in the emergence of entrepreneurs. The social, political, and economic structures all function in proportion to the availability of entrepreneurs. According to Kunkel, the following economic factors affect the availability of entrepreneurship: -

- Demand Structure: This refers to the current state of demand in the economy. By providing entrepreneurs with tangible rewards for their entrepreneurial efforts, the demand structure of an economy can be expanded.
- Limitation Framework: It indicates that certain actions are restricted by business owners and other society members.
- Opportunity Structure: This structure considers the current market structure, the management and

technical skills that are accessible, knowledge of the various production methods, and the availability of labour and capital.

- The labour structure: This structure considers the availability of willing and skilled labour.

According to Kunkel's hypothesis, an individual's behaviour is greatly influenced by the conditioning process that surrounds their environment.

Criticism: Kunkel's thesis has been criticised for being founded on irrational postulates. The various structures that affect the availability of entrepreneurship are unreal. Additionally, ambiguous terms like values, personality, etc. were omitted.

social networks.

e) **Cultural Theories:** Hoselitz's Theory (Emphasis on Marginal Groups) and Cochran's Theory: -

➤ **Hoselitz's Theory (Emphasis on Marginal Groups):**

According to Hoselitz's view, cultural elements are very important for the growth of entrepreneurs. According to Hoselitz's idea, the minority groups in society are the marginalized groups. Entrepreneurship is anticipated to develop as a means for people to improve their level of life and, in the process, support economic growth. This hypothesis was inspired by the contributions of culturally marginal populations like Lebanese in West Africa, Jews in Europe, and Indians in East Africa to the economic prosperity of those regions. According to Hoselitz, marginal males put in dubious situations exhibit real behavioral adjustments. They strengthen their entrepreneurial skills during this process and contribute to economic growth.

➤ **Cochran's Theory:**

Thomas Cochran talked about the availability of entrepreneurship from a cultural perspective. He had proposed that a society's cultural values, social norms, and role expectations are significant factors in determining the availability of entrepreneurs. Cochran also stated that business owners serve as examples for society. Cochran's theory has drawn criticism because it primarily focuses on social elements and their effects, and it doesn't offer a good explanation for the supply of entrepreneurs in an economy.

#### **f) X-Efficiency Theory: Leibenstein's Theory**

The concept of X-efficiency was propounded by Harvey Leibenstein in 1966 in an article entitled "Allocative efficiency vs. X-efficiency". Leibenstein defines X-inefficiency as the discrepancy between the ideal, efficient behaviour of business in principle and the behaviour that is actually practiced due to various causes. When technical efficiency is not attained, X-inefficiency takes place. Leibenstein defines X-efficiency as the efficiency with which a particular set of inputs are used to generate a specified set of outputs. If a company uses the best technology available and generates the most output it can give its resources, it is technically efficient.

According to Harvey Leibenstein, X-efficiency results from the inefficient or wasteful utilization of a firm's resources. The entrepreneur can act as an input completer and gap filler. The task of filling up the gaps in the market has been given to the entrepreneur. The entrepreneur must mobilize all the available inputs to complete inputs in order to improve the effectiveness of the production techniques accessible. Leibenstein claims that there are two different sorts of entrepreneurship. First, "Routine Entrepreneurship," which covers the crucial aspects of business management. Second, "New Entrepreneurship," which is entrepreneurial innovation.

Criticism: The inability to pinpoint the precise impact of X-efficiency on an organization's productivity has led to criticism of Leibenstein's notion. Compared to conventional ideas, his theory is less predictable.

#### **g) Other Theories**

➤ **Frank Young** emphasizes how group level patterns influence entrepreneurial endeavors. According to Frank Young, entrepreneurial traits are seen in clusters, ethnic groups, occupational groups, and organizations with a political orientation; he is not in favor of the idea that an entrepreneur should operate alone. Reactive subgroups are a key component of Young's theory and have a significant impact on the development of new enterprises. These groups form when a group receives little status recognition and has little or no access to resources.

➤ **M. Kirzner's View on Entrepreneurship:** American economist Israel Meir Kirzner wrote numerous works that support entrepreneurship. The fundamental tenet of Kirzner's entrepreneurial philosophy is spontaneous learning. A Crusoe situation is the most basic scenario in which spontaneous learning can take place. Kirzner refers to this circumstance as one in which awareness is prompted by spontaneous learning. A pure entrepreneur is, in Kirzner's words, "a decision-maker whose entire role arises out of his alertness to hitherto unnoticed opportunities".

➤ **Baumol's View on Entrepreneurship:** According to Baumol (1968), entrepreneurship is essential to economic development. He claimed that different civilizations have different overall supplies of entrepreneurs. Additionally, how society divides up productive and unproductive activities affects how productively it contributes to entrepreneurial activity.

➤ **Peter Drucker's View on Entrepreneurship:** The entrepreneur, according to Peter Drucker, is a special kind of change agent who "always searches for change, responds to it, and exploits it as an opportunity."

## 1.5 Entrepreneurial Mindset

"Twenty years from now you will be more disappointed by the things you didn't do than by the ones you did do." Mark Twain.

An entrepreneurial attitude produces ideas, awareness, and emphasis on seeing opportunities by resolving issues, and a readiness to act and implement ideas. It is the perspective of the entrepreneur through which everything is seen as an entrepreneurial activity. Without a doubt, an entrepreneur always takes their business into account when making decisions. Entrepreneurs always operate in the best interests of their companies, but occasionally it also helps for them to adopt the right mindset. For the entrepreneur to reach their goals and objectives, the attitude must become a way of life. They constantly strategize and consider "what if" scenarios. The question "What if we did this?" is one that they constantly ponder. "What if a competitor did that?" — and what would that mean for business?

Anyone can start their own business if they shift their focus from adhering to ingrained patterns to looking for chances nearby. Age, gender, color, nation of origin, and personal

income are not limitations. One needs to see the chance and be ready to seize it to become an entrepreneur. Our capacity to imagine and achieve is influenced by how we see ourselves and the world around us. Our young require a mindset that can spot opportunities, take initiative, and create in the face of obstacles in today's innovation-based economy.

### **1.5.1 What is an Entrepreneurial Mindset?**

A collection of abilities known as an entrepreneurial mentality enables people to recognize opportunities, seize them, learn from setbacks, and flourish in a range of contexts. Employers respect employees with an entrepreneurial mindset because it improves performance and fosters the growth of new firms. Nokia was at its peak in 2007, but in four years it went from being the hero to zero. With an average margin of 36%, Nokia owned an estimated 32% of the worldwide phone market. However, it was unsuccessful in breaking into the smart phone industry, leaving a void that was quickly filled by competitors like Apple and Samsung. The flames of invention typically disappear as a firm expands. Therefore, the entrepreneurial attitude is required at this point to foreplay its role. Let's talk about some resources for having an entrepreneurial mindset.

### **1.5.2 Entrepreneurial Mindset Resources**

The resources and characteristics listed below can be useful in cultivating an entrepreneurial mindset: -

- **Assertive:** The capacity and readiness to put one's best foot forward to meet challenges and advance one's endeavor.
- **Persuasive:** The capacity to persuade people to cooperate in achieving a common objective by clearly expressing ideas to them. He needs effective communication skills for this.
- **Critical thinking** is the ability to apply process-oriented thinking, take into account a problem from a variety of potential angles, and use such thinking to guide decision-making.
- **Comfort with Risk:** The ability to decide in the face of inescapable ambiguity and difficulties.
- **Initiative:** An entrepreneur must take the initiative to develop a fresh idea and carry out commercial operations while overcoming challenges on their own.

- **Future-Orientation:** A positive outlook with a concentration on acquiring the abilities and information necessary to make the move into the workforce.
- **Seeking Opportunities:** An entrepreneur needs to get in the habit of identifying and seizing opportunities in obstacles. He needs to take advantage of these chances to make money.
- **Creative:** An entrepreneur seeks to develop the most successful strategies to realize the goals of his business. The capacity to formulate concepts and come up with answers to issues without reference to definite structures.
- **Comfort with Risk:** An entrepreneur needs to be able to act in the face of problems and uncertainties that are unavoidable. Our life is shaped by how we view risk. There is always some amount of risk involved when making decisions in company or in life. We all take risks every day when we drive at 85 mph when the speed limit is 70.

**Constant efforts:** It refers to the idea of using numerous unrelated circumstances to build something greater even under difficult circumstances.

- **Self-assurance:** Businesspeople make a ton of mistakes. However, they persist despite it. In the event of failure, they simply move quickly to the next solution or concept since they are self-assured.
- **Quick learning:** The entrepreneur picks things up quickly, but he or she always shares the outcomes—good or bad—with the team to accomplish the intended job.
- **Be productive:** Entrepreneurs frequently have a knack for precise planning. He must arrange his efforts carefully, considering both his talents and weaknesses.

## **1.6 Social Entrepreneurship**

A company is referred to as a social enterprise if it was founded with the intention of benefiting society in some way. Social entrepreneurship is a type of business that focuses on improving society rather than just making money. The company's objectives include resolving current social problems, assisting some weaker or impoverished groups in society through its operations, and addressing societal problems in the areas of culture, community, and the environment. A social enterprise's primary goal is to advance society. The social companies do more than just make money; they also work for the greater good. Self-help organizations, waste management companies, and microfinance institutions are a few examples of social enterprises.

### **1.6.1 Meaning**

A social enterprise is a cutting-edge business model with a social goal that operates using a long-term entrepreneurial approach. The enterprise's goal is to change society for the better by creating chances that may be used in novel ways to promote transformations and sustainability.

#### **Amul – The Social Enterprise of India**

The popular brand Amul is a well-known example of social entrepreneurship in India. Thousands of farmers who are unable to build up their own platforms to sell in the national market have access to Amul, thanks to its socially conscious creation. Amul offered a well-organized supply chain management system to the nation's thousands of underprivileged farmers. In Anand, Gujarat, Amul participated in a cooperative effort against Polson Dairy, which purchased milk from neighborhood farmers in the Kaira District at extremely low prices and provided it to the city of Bombay.

### **1.6.1 Characteristics of a Social Enterprise**

- a) **Social motive:** The main idea behind a social enterprise is that it was founded with the primary goal of assisting society. The entire organization is dedicated to coming up with solutions to the issues facing society today.
- b) **Sustainability:** A social enterprise model is typically developed with the idea of sustainable company activities, with specific attention paid to having the least negative effects on the environment and society. It aids in ensuring that it operates sustainably and environmentally.

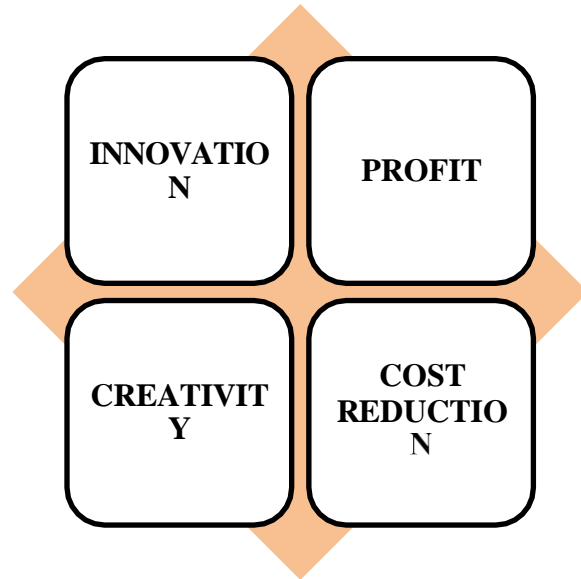
- c) Disadvantaged groups: Social entrepreneurs work to improve the lives of society's disenfranchised groups by offering them chances for employment, education, improved living arrangements, and the means to support themselves.
- d) Transformation: The entrepreneur seeks to innovate and transform society to bring about a positive change in the world through his company ideas.
- e) Profit-Earning Social Work corporation: A social enterprise is a hybrid of a pure commercial firm, whose primary goal is to maximize profit and wealth, and a social work organization, which operates as a non-profit corporation and seeks to serve society and promote social welfare.
- f) Social value: The business concept generates social value through its operations. When a socially engaged individual has an idea to address a social issue, the process begins. He sees a chance to help the public through a creative business idea. As a result, he accepts responsibility for learning the new concept, adapting to it, and putting it into practice in order to improve the world.

## **1.7 Commercial Entrepreneurship**

It refers to a unique innovative idea of business which is new in the market and has profit generating potential. It is like an ordinary business, only just the basic idea of such business needs to be new creative and unique.

- Commercial entrepreneurs use innovation to explore new opportunities and unsatisfied needs of the consumers in the market.
- Innovation is focused on reducing the cost and generating high income generating products and services that can be sold at higher profits.
- The main motive is the financial growth of the organization.
- Innovative efforts are made to maximize wealth and minimize the cost.
- The product is more into satisfying the consumers as much as possible, so they enjoy it and buy more of it or even at premium prices.





### **1.8 Let Us Sum Up**

To promote growth and progress, entrepreneurship is essential in bringing about changes in all facets of society. The skill and trait of an entrepreneur to spot a business opportunity and set up shop is known as entrepreneurship. Entrepreneurship assists in addressing several economic issues, including unemployment and poverty. Different entrepreneurs display various characteristics. The way an entrepreneur conducts tasks like innovation, decision-making, taking risks, etc., determines how well their business will grow. Therefore, entrepreneurship contributes significantly to a nation's economic development. While commercial business generates profit by securing the largest market share, social entrepreneurship changes the world for the better. The market can be revolutionized by creative, original ideas from modern entrepreneurs faster than even before technology becomes widely used.

### **1.9 Check Your Progress**

#### **Long Answer Questions**

- a) What do you understand by concept of entrepreneurship?
- b) Why it is important for an entrepreneur to possess some characteristics to achieve success in any venture.

- c) Explain different types of entrepreneurships.
- d) Write critically about the theories of entrepreneurship.
- e) What mindset can help an entrepreneur to be successful?
- f) What is social entrepreneurship? How is it different from commercial entrepreneurship? Give importance of the concept in present era.
- g) Explain Cultural theory of Entrepreneurship.
- h) Explain Profit theory of entrepreneurship.
- i) Explain Psychological theory of entrepreneurship.
- j) Compare and contrast sociological and psychological theories of entrepreneurship.

### **Short Answer Questions**

- a) What does it mean to be an Entrepreneur?
- b) What is the best definition of Entrepreneurship?
- c) An individual who initiates, creates, and manages a new business can be called\_\_\_\_\_
- d) Which could provide an individual with the motivation to start a new business venture?
- e) Define Innovation
- f) What are the reasons for business failure?
- g) Explain the difference between social entrepreneurship and commercial entrepreneurship.
- h) Define sustainability.
- i) Explain X-Efficiency theory.
- j) Scalable Startup

### **Glossary**

#### **a) Sociological theory of Entrepreneurship**

Entrepreneurship is a sociological concept and process. According to this concept, sociological factors are the secondary source of entrepreneurship development. As such, social factors like social attitudes, values and institutions significantly influence the entrepreneurial supply in a society.

**b) Economic theory of Entrepreneurship:**

According to this theory, an entrepreneur executes all activities due to economic incentives. The main aim of this theory is profit motive.

**c) Psychological theory of Entrepreneurship:**

According to this concept, psychological factors are the primary source of entrepreneurship development. When there are enough people having the same psychological characteristics in society, then there are bright chances of development of entrepreneurship.

**d) Profit theory of Entrepreneurship:** Prof. Knight opined that the profit is the reward for bearing the non-insurable risks and uncertainties. The entrepreneur bears the uncertainty involved in the enterprise.

**e) Cultural theory:** This theory portrays that the cultural factors play a great role in entrepreneurial development. This theory suggests that the cultural values of a society, social expectations and role expectations play an important role in determining the supply of entrepreneurs.

**f) X-efficiency Theory:** Harvey Leibenstein had mentioned that X-efficiency arises because of the wrong use of firm's resources or due to their wastage. The entrepreneur can play the role of a gap filler and as an Input completer. The entrepreneur has been entrusted the job to fill the gaps in the market.

**REFERENCES**

1. Poornima M. Charantimathv (2006) "Entrepreneurship Development and Small Business Enterprises", Dorling Kindersley (India) Pvt. Ltd, New Delhi.
2. Sanjay, Anshuja Tiwari (2007) "Entrepreneurship Development in India", Sarup & Sons Publications, New Delhi.
3. Ramachandran (2009) "Entrepreneurship Development", Tata McGraw –Hill Education Pvt. Ltd. New Delhi.
4. Pawan Kumar Sharma (1991) "Development banks and Entrepreneurship promotion in India", Mittal publications, New Delhi.
5. C.P. Yadav (2000) "Encyclopedia of Entrepreneurship Development", Anmol Publications, New Delhi.

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

<b>UNIT II      INNOVATION: MEANING, FEATURES AND NEED, LATEST INNOVATIONS IN MARKETING AND SERVICE SECTOR</b>
--

**STRUCTURES**

**2.1 Entrepreneurship**

**Meaning & Introduction**

**Key Components**

**2.2 Innovation**

**Meaning**

**Key Components**

**Features**

**Need & Importance**

**Relationship between Entrepreneurship and Innovation**

**Difference & Types**

**2.3 Innovator**

**Meaning**

**Features**

**Requisites of Successful Innovator**

**2.4 Recent Trends**

**In Manufacturing Sector**

**In Service Sector**

**2.5. Answer to Check Your Progress**

**Short Answer Type Questions**

**Long Answer Type Question**

**Glossary**

**References**

**2.1 Entrepreneurship** refers to the process of creating, developing, and managing a business or venture with the aim of taking on financial and personal risks in order to achieve innovation, growth, and profitability. Entrepreneurs often identify opportunities, gather resources, and make strategic decisions to bring their ideas to life and create value in the market.

**Certainly! Entrepreneurship involves several key components:**

1. **Idea Generation:** Entrepreneurs identify gaps in the market or come up with innovative ideas for products, services, or solutions that can address a specific need or problem.
2. **Market Research:** This step involves conducting thorough research to understand the target market, potential customers, competitors, and trends. It helps entrepreneurs refine their ideas and tailor them to meet market demands.
3. **Business Planning:** Entrepreneurs create a detailed business plan that outlines their vision, goals, strategies, target audience, marketing approach, financial projections, and operational plan. This plan serves as a roadmap for their business.
4. **Resource Gathering:** Entrepreneurs gather the necessary resources to bring their business idea to life. This includes securing funding, assembling a team, acquiring materials, and establishing partnerships if needed.
5. **Product/Service Development:** Entrepreneurs work on developing their product or service, focusing on factors like design, functionality, and quality. They iterate and refine the offering based on feedback and testing.
6. **Branding and Marketing:** Entrepreneurs create a brand identity that reflects their values and resonates with their target audience. Marketing strategies are developed to promote the product or service and attract customers.
7. **Launch:** The business is officially launched into the market. This involves executing the marketing plan, making the product or service available to customers, and generating initial sales.
8. **Adaptation:** Entrepreneurs remain open to feedback and adapt their business based on customer responses and market dynamics. They may tweak their offerings, pricing, or strategies to better align with the evolving needs of the market.
9. **Risk Management:** Entrepreneurship involves a level of risk-taking, including financial, operational, and strategic risks. Entrepreneurs assess and manage these risks to ensure the sustainability of their business.

10. **Growth and Scaling:** Successful entrepreneurs focus on expanding their business, reaching new markets, and increasing their customer base. This might involve hiring more employees, opening new locations, or diversifying their product line.

11. **Innovation:** Entrepreneurship often involves introducing innovative ideas, technologies, or processes that can disrupt traditional industries and create new value propositions.

12. **Leadership and Decision-Making:** Entrepreneurs play a pivotal role in leading their teams, making crucial decisions, and steering the business towards its goals. Effective leadership is key to managing challenges and fostering a positive work culture.

13. **Long-Term Sustainability:** Entrepreneurs aim for long-term sustainability by continuously innovating, adapting to changing market conditions, and staying ahead of competition. This requires a combination of strategic planning and agility.

Overall, entrepreneurship is a dynamic and multifaceted journey that requires a combination of creativity, determination, resilience, and strategic thinking. It involves not only starting a business but also navigating its growth, evolution, and impact on the market and society.

Here's a well-known definition of entrepreneurship by Peter Drucker, a renowned management consultant, educator, and author:

**"Entrepreneurship is neither a science nor an art. It is a practice."**

Drucker emphasizes that entrepreneurship is not merely a theoretical concept or a creative endeavor; rather, it is something that requires action, experimentation, and real-world practice to be truly understood and mastered.

**2.2 Innovation** refers to the process of introducing new ideas, methods, products, or services that create significant improvements, advancements, or changes in various fields, such as technology, business, science, or society. It involves applying creativity and original thinking to address challenges, meet evolving needs, and bring about positive transformation.



Innovation thus modifies the features and performance of the products, processes, or other activities of a business that leads to higher value addition for the business organization, consumers and the industry as a whole. A product is considered innovative when it has:

1. Unique Function or feature,
2. Unique design,
3. or both,
4. And is superior to what was previously offered in the market

**Certainly, let's delve into more detail about innovation:**

1. **Conceptualization:** Innovation begins with the generation of new ideas or concepts. These ideas can stem from various sources, such as identifying market gaps, observing trends, leveraging emerging technologies, or creatively reimagining existing solutions.
2. **Problem Solving:** At its core, innovation is about solving problems or addressing unmet needs. Innovators seek to find more efficient, effective, or novel ways to overcome challenges and improve current processes or situations.
3. **Creativity:** Creative thinking is a fundamental aspect of innovation. It involves thinking beyond conventional boundaries, exploring new angles, and connecting seemingly unrelated ideas to come up with unique and inventive solutions.
4. **Research and Development:** Once an idea is conceived, research and development play a

crucial role. This phase involves experimenting, testing hypotheses, refining concepts, and developing prototypes to turn ideas into tangible products or solutions.

5. **Adoption of Technology:** Technological advancements often drive innovation. Integrating new technologies, such as artificial intelligence, robotics, or blockchain, can lead to groundbreaking changes in industries and society.

6. **Design Thinking:** Design thinking is an approach that focuses on empathizing with users, defining problems, ideating solutions, prototyping, and testing. It places the user's needs and experiences at the center of the innovation process.

7. **Risk-Taking:** Innovation involves calculated risk-taking. New ideas may not always succeed, but innovators are willing to embrace uncertainty and learn from failures in their pursuit of progress.

8. **Market Research:** Understanding the target audience and market dynamics is crucial for successful innovation. Innovators analyze consumer preferences, behaviors, and trends to tailor their offerings effectively.

9. **Commercialization:** Innovations need to be brought to the market to make an impact. This involves creating a business model, marketing strategy, and distribution plan to reach potential customers and gain traction.

10. **Disruption:** Innovation can lead to disruptive changes, where new technologies or ideas challenge existing norms, industries, or business models. This can reshape entire markets and lead to the emergence of new leaders.

11. **Sustainability:** Innovations should consider environmental, social, and economic sustainability. Solutions that address pressing global challenges, such as climate change or social inequality, contribute to a more sustainable future.

12. **Continuous Improvement:** Innovation is an ongoing process. Even after an innovation is introduced, there's room for improvement. Feedback, data, and evolving needs drive iterative enhancements.

13. **Cultural Impact:** Innovation has the potential to shape culture and society. It can influence behavior, communication, and the way people interact with technology and each other.

In summary, innovation is a multifaceted and dynamic process that involves creative thinking,



problem-solving, technological advancements, risk management, and a deep understanding of market dynamics. It drives progress, shapes industries, and transforms societies by introducing new possibilities and pushing the boundaries of what is possible.

Here's a definition of innovation by Clayton Christensen, a prominent management theorist and author:

**"Innovation is the process by which an organization develops new sources of competitive advantage through development of its unique value proposition, based upon the reconfiguration of its existing and/or the adoption of new resources and capabilities."**

Christensen's definition highlights the idea that innovation is not just about creating new products or services, but also about reshaping a company's entire approach to delivering value by leveraging its resources and capabilities in novel ways.

**Key features of innovation include:**

1. **Creativity:** Innovation starts with creative thinking that generates new ideas, concepts, and approaches to solving problems or addressing needs.
2. **Novelty:** Innovations bring something new to the table, whether it's a new product, service, process, or idea that hasn't been seen or done before.
3. **Value Creation:** Successful innovations create value for individuals, organizations, or society by improving efficiency, effectiveness, convenience, or quality.
4. **Change:** Innovation results in change—whether in the way things are done, the products and services offered, or the overall landscape of an industry.
5. **Problem Solving:** Innovations often emerge as solutions to challenges, unmet needs, or inefficiencies, aiming to make improvements or find new opportunities.
  
6. **Risk-Taking:** Pursuing innovation involves taking calculated risks, as there's no guarantee that new ideas will succeed.
7. **Adaptation:** Innovations require adaptation and adjustment as they are developed and introduced based on user feedback and changing circumstances.
8. **Originality:** Innovations are original and distinctive, setting them apart from existing solutions or products.

9. **Market Impact:** Successful innovations have an impact on markets, industries, and sometimes even society as a whole.

10. **Continuous Process:** Innovation is an ongoing process that involves continuous improvement, iteration, and evolution of ideas and solutions.

11. **Cross-Disciplinary:** Innovation often draws from various disciplines and perspectives, combining knowledge and ideas from different fields.

12. **User-Centric:** The best innovations consider the needs, preferences, and experiences of users, ensuring that the final product or solution addresses real problems.

13. **Leveraging Technology:** Technological advancements frequently drive and enable innovative solutions and products.

14. **Competitive Advantage:** Organizations that innovate effectively can gain a competitive edge by differentiating themselves in the market.

15. **Sustainability:** Sustainable innovation considers the long-term impact on the environment, society, and economy.

16. **Evolving Markets:** Innovation can shape and reshape markets, creating demand for new products and services.

17. **Cultural Shift:** Innovation can lead to shifts in cultural norms, behaviors, and expectations, impacting how people interact with each other and technology.

These features collectively define the nature and impact of innovation, which plays a crucial role in driving progress and evolution across various domains.

#### ✓ **Relationship between Innovation and entrepreneurship**

**Innovation and entrepreneurship are closely interconnected concepts, often referred to as two sides of the same coin. Here's how they relate to each other:**

#### **Innovation Drives Entrepreneurship:**

- Innovation is the process of generating new ideas, products, services, or approaches. Entrepreneurs often identify opportunities for innovation by recognizing unmet needs, gaps in the market, or areas where existing solutions can be improved.

- Entrepreneurs leverage innovation to create unique value propositions that differentiate their

businesses from competitors. Innovations can give entrepreneurs a competitive edge and attract customers to their ventures.

### **Entrepreneurship Fosters Innovation:**

- Entrepreneurs are individuals who take on the role of turning innovative ideas into reality. They are risk-takers who bring together resources, assemble teams, and navigate the challenges of bringing new products or services to the market.
- Entrepreneurship provides the necessary framework for innovation to be implemented and tested. Entrepreneurs take the lead in transforming abstract ideas into tangible products or solutions.

### **Dynamic Process:**

- Both innovation and entrepreneurship involve dynamic processes. Innovation generates new ideas and concepts, while entrepreneurship operationalizes those ideas to create a viable business.
- Entrepreneurs continuously seek innovative ways to improve their products, processes, or business models to stay competitive and relevant in the market.

### **Mutual Impact:**

- Innovation and entrepreneurship mutually reinforce each other. Entrepreneurship relies on innovative ideas to create value, while innovation benefits from the entrepreneurial spirit to be executed effectively.
- Successful entrepreneurs often become known for their ability to innovate, and innovators who successfully bring their ideas to the market are essentially practicing entrepreneurship.

### **Key to Growth and Success:**

- Both innovation and entrepreneurship are crucial for economic growth, job creation, and technological advancement. They contribute to the development of new industries, the evolution of existing ones, and the overall progress of societies.

In summary, innovation and entrepreneurship are closely intertwined forces that drive progress, economic development, and the evolution of industries. Entrepreneurs harness innovation to create value, while innovation fuels the entrepreneurial spirit by generating novel ideas and opportunities for growth.

### ✓ **Difference between Innovation and entrepreneurship**

**Certainly, here's a breakdown of the key differences between innovation and entrepreneurship:**

### **1. Nature:**

- Innovation: Innovation refers to the creation and introduction of new ideas, products, processes, or solutions that bring about positive change or improvement.
- Entrepreneurship: Entrepreneurship involves the process of identifying opportunities, assembling resources, and taking calculated risks to start and manage a business venture.

### **2. Focus:**

- Innovation: Innovation is primarily focused on generating novel concepts, ideas, and approaches that address challenges, fulfill needs, or create advancements.
- Entrepreneurship: Entrepreneurship focuses on turning innovative ideas into practical, viable businesses. It involves activities such as business planning, resource allocation, and risk management.

### **3. Role:**

- Innovation: Innovators are individuals or entities that generate new ideas and concepts, whether they are within an organization or individuals exploring new possibilities.
- Entrepreneurship: Entrepreneurs are individuals who take on the responsibility of creating, developing, and managing a business venture. They execute the innovative ideas and oversee the entire business process.

### **4. Implementation:**

- Innovation: Innovation is about the initial ideation and conceptualization of new ideas. It doesn't necessarily require the full execution of those ideas into businesses.
- Entrepreneurship: Entrepreneurship involves the practical implementation of innovative ideas, often requiring the coordination of various resources and activities.

### **5. Outcome:**

- Innovation: The outcome of innovation can be new products, services, processes, technologies, or even new ways of thinking that contribute to progress and advancement.
- Entrepreneurship: The outcome of entrepreneurship is the establishment and operation of a new business venture. Successful entrepreneurship can lead to revenue generation, job creation, and economic impact.

### **6. Emphasis on Business:**

- Innovation: Innovation doesn't necessarily have to result in a new business venture. It can occur within existing organizations or industries.

- Entrepreneurship: Entrepreneurship specifically involves the creation of new businesses or startups that bring innovative ideas to the market.

### **7. Risk and Reward:**

- Innovation: While innovation can involve risk-taking, the primary focus is on generating new ideas. The risk might not always be as high as in entrepreneurship.

- Entrepreneurship: Entrepreneurship inherently involves taking substantial financial and operational risks, with the potential for higher rewards if the venture succeeds.

In summary, innovation is about generating novel ideas and advancements, while entrepreneurship is about turning those innovative ideas into practical businesses. Both are crucial for progress and economic development, with innovation fueling the entrepreneurial drive to create tangible value.

### **Innovation is essential for several reasons:**

1. **Competitive Advantage:** In today's fast-paced and globalized world, businesses and organizations need to innovate to stay ahead of the competition. Innovations give them a unique edge by offering new products, services, or processes that differentiate them from others.

2. **Market Relevance:** As consumer preferences and needs evolve, companies must innovate to ensure their offerings remain relevant and appealing. Innovation allows businesses to adapt to changing market dynamics and consumer demands.

3. **Solving Complex Challenges:** Innovation is a powerful tool for solving complex problems and addressing pressing issues in areas such as healthcare, energy, climate change, and education.

4. **Economic Growth:** Innovations drive economic growth by creating new industries, generating jobs, and increasing productivity. They contribute to the overall development of economies.

5. **Technological Advancements:** Many technological breakthroughs are driven by innovation. These advancements lead to improved quality of life, increased efficiency, and the development of new tools and capabilities.

6. **Improved Efficiency:** Innovation often results in more efficient processes, which can lead to cost savings, reduced waste, and optimized resource utilization.

7. **Quality Enhancements:** Innovations can lead to improved product and service quality, resulting in greater customer satisfaction and loyalty.

8. **Entrepreneurship and Startups:** New businesses often emerge from innovative ideas.

Entrepreneurial ventures are engines of job creation and economic growth.

9. **Global Problem Solving:** Many of the world's most significant challenges, such as climate change, poverty, and healthcare access, require innovative solutions that can have a positive impact on a global scale.

10. **Education and Learning:** Innovation in education can revolutionize how people learn and acquire knowledge, making education more accessible and effective.

11. **Creative Expression:** Innovation allows individuals to express their creativity and explore new possibilities in various fields, including art, music, literature, and design.

12. **Sustainability:** Innovation is vital for developing sustainable practices that reduce environmental impact and promote responsible resource management.

13. **Continuous Improvement:** Innovation encourages a mindset of continuous improvement, leading to ongoing advancements and refinement in products, services, and processes.

14. **Cultural and Social Change:** Innovations can lead to cultural shifts, influencing how societies communicate, interact, and function.

In summary, innovation is crucial for driving progress, adapting to change, solving challenges, and creating opportunities for growth. It plays a vital role in virtually every aspect of human endeavor, contributing to economic, technological, social, and environmental advancement.

## **TYPES OF INNOVATIONS**

The concept of innovation has various dimensions or types as follows:-

- **Product innovation:** A new kind of product invented which tackles an existing problem posed to customers or serves an additional feature that may increase the utility of the product.
- **Process innovation:** The process of production or sale and after sale services is creatively modified to either reduce the cost of production or improve business-customer relationship.
- **Service innovation:** An innovative method to provide the same service in a creative and more beneficial way that may help increase customer base, reduce problems of the business, the customers and the society. For example applications like OYO ,MakeMyTripetc have eased out the selection and booking of hotels and planning trips . they provide same services as a travel agent but in a more convenient and trustworthy way. They ensure better services, prices, security and safety to both the customers and business.
- **Technical innovation:** Technological innovation is concerned with changes in the physical characteristics and features of a product or modification of methods of manufacturing the products.

For example; Introduction of smart phones, smart watches were a technical innovation in the market.

- **Non-technical innovation:** Non-technical innovation is generally related to organization structure changes and marketing channels. Any innovative supply chain management or customer relationship management are good examples of this.

### 2.3 Who is an INNOVATOR?

An innovator is an individual or entity that introduces new ideas, concepts, products, services, processes, or solutions that bring about positive change, advancement, or improvement. Innovators are characterized by their creativity, originality, and willingness to explore uncharted territory. They often identify opportunities to address challenges, fulfill needs, or create value in various domains, such as technology, business, science, and society.

Innovators can be found in various fields and roles, including entrepreneurs, researchers, scientists, designers, engineers, artists, and educators. They have a unique ability to think beyond established boundaries, challenge conventional thinking, and envision new possibilities. Innovators play a crucial role in driving progress, pushing the boundaries of knowledge, and shaping the way industries and societies evolve over time.

**The role of an innovator** is multi-faceted and impactful. Innovators contribute to progress, change, and advancement in various fields. Here are some key aspects of the role of an innovator:

1. **Generating Ideas:** Innovators are adept at generating new and creative ideas that have the potential to solve problems, address needs, or create opportunities for improvement.
2. **Identifying Opportunities:** They recognize opportunities where existing solutions are lacking or where improvements can be made, whether in products, services, processes, or industries.
3. **Problem Solving:** Innovators have a knack for identifying challenges and finding novel solutions to complex problems, often combining insights from different disciplines.
4. **Creative Thinking:** Creative thinking is a hallmark of innovators. They approach problems from unconventional angles and explore new ways of combining existing knowledge and resources.
5. **Prototyping and Testing:** Innovators often create prototypes or experimental models to test and refine their ideas, gaining practical insights that lead to improvements.

6. **Risk-Taking:** Bringing innovative ideas to life involves risk, as there's no guaranteed outcome. Innovators are willing to take calculated risks to see their ideas come to fruition.
7. **Persistence:** The path to successful innovation can be challenging and filled with obstacles. Innovators demonstrate persistence and determination to overcome setbacks and continue refining their concepts.
8. **Collaboration:** Collaboration with diverse experts and professionals helps innovators gain insights, refine their ideas, and enhance the feasibility of their innovations.
9. **Resource Management:** Innovators manage resources effectively, making strategic decisions about how to allocate time, funding, and other assets to develop and implement their ideas.
10. **Adaptation:** Innovators are open to feedback and adapt their ideas based on real-world observations and changing circumstances.
11. **Market Understanding:** They grasp the needs and preferences of the target audience, ensuring that their innovations resonate with potential users.
12. **Business Acumen:** Many innovators play a role in turning their ideas into viable business ventures, understanding the market, competition, and value proposition.
13. **Inspiration:** Innovators inspire others by demonstrating what's possible through their creativity, dedication, and ability to turn ideas into tangible results.
14. **Social Impact:** Innovators can bring about positive social change by developing solutions that address societal challenges and improve the well-being of communities.
15. **Legacy:** Innovators leave a lasting legacy by shaping industries, creating technologies, and driving progress that influences the course of history.

In summary, the role of an innovator is dynamic and vital. Innovators have the power to transform industries, improve lives, and contribute to the advancement of society through their creativity, determination, and the pursuit of meaningful change.

## **REQUISITES OF SUCCESSFUL INNOVATOR**

Successful innovators perform several key functions to effectively bring their ideas to life and create a positive impact. Here are some essential functions of a successful innovator:

1. **Ideation:** Successful innovators constantly generate and refine new ideas, exploring a wide range of possibilities and opportunities for innovation.
2. **Opportunity Recognition:** They have a keen ability to identify gaps in the market, unmet needs,



and emerging trends that present opportunities for innovation.

3. **Problem Solving:** Innovators tackle complex challenges by applying creative problem-solving techniques, finding solutions that others might not have considered.

4. **Strategic Vision:** They develop a clear vision for their innovations, aligning their ideas with overarching goals and identifying potential paths to success.

5. **Market Research:** Successful innovators conduct thorough research to understand their target audience, customer preferences, competitive landscape, and market dynamics.

6. **Prototyping and Testing:** They create prototypes or minimum viable products (MVPs) to test their ideas and gather feedback, iteratively refining their innovations based on real-world input.

7. **Risk Management:** Innovators assess and manage risks associated with their ideas, making informed decisions about when and how to take calculated risks.

8. **Resource Allocation:** They allocate resources effectively, managing time, funding, and personnel to ensure the innovation's development and implementation.

9. **Networking and Collaboration:** Successful innovators collaborate with experts, mentors, partners, and other stakeholders to gain insights, validation, and support for their ideas.

10. **Adaptation:** Innovators remain flexible and open to adapting their ideas based on feedback, changing market conditions, and new information.

11. **Execution and Implementation:** They drive the execution of their ideas, overseeing the development process and ensuring that their innovations are brought to life effectively.

12. **User-Centric Approach:** Successful innovators prioritize the needs and experiences of users, creating solutions that provide real value and resonate with their intended audience.

13. **Communication Skills:** They communicate their ideas clearly and effectively, persuading others to buy into their vision and secure support.

14. **Leadership:** Innovators exhibit leadership qualities, guiding teams and stakeholders toward a common goal and fostering a culture of innovation.

15. **Continuous Learning:** They stay curious and continuously seek to learn from experiences, failures, and successes, allowing for ongoing personal and professional growth.

16. **Ethical Considerations:** Successful innovators consider the ethical implications of their innovations, ensuring that their creations contribute positively to society and avoid harm.

17. **Persistence:** They demonstrate persistence and resilience in the face of challenges, setbacks, and obstacles that are inherent in the innovation journey.

18. **Feedback Integration:** Innovators actively seek and incorporate feedback from various sources to refine their ideas and improve their outcomes.

In summary, a successful innovator wears many hats and performs various functions to navigate the complex journey of bringing innovative ideas to fruition. They combine creativity, strategic thinking, collaboration, adaptability, and leadership to drive meaningful change and achieve their goals.

**Innovation is crucial for a variety of reasons:**

1. **Economic Growth:** Innovation drives economic growth by creating new industries, products, and services. It leads to job creation, increased productivity, and enhanced competitiveness on a global scale.

2. **Competitive Advantage:** Businesses that innovate can gain a competitive edge by offering unique products, services, or processes that differentiate them from their competitors.

3. **Solving Complex Challenges:** Innovation addresses pressing challenges, such as climate change, healthcare access, and poverty, by developing new solutions and approaches.

4. **Technological Advancement:** Innovation is at the heart of technological progress, leading to breakthroughs that improve quality of life, drive efficiency, and enhance capabilities.

5. **Improved Quality of Life:** Innovations in healthcare, education, and technology directly contribute to improving people's quality of life and well-being.

6. **Resource Optimization:** Innovations often result in more efficient use of resources, minimizing waste and environmental impact.

7. **Adapting to Change:** Innovation allows individuals, organizations, and societies to adapt to evolving circumstances and seize new opportunities.

8. **Inspiration and Creativity:** Innovations inspire others to think creatively, challenging conventional thinking and encouraging exploration of new possibilities.

9. **Entrepreneurship:** Innovation is a foundation for entrepreneurship, enabling individuals to turn ideas into viable businesses and create economic value.

10. **Global Progress:** Innovations have a global impact, driving progress in various regions and contributing to the advancement of societies worldwide.

11. **Education and Learning:** Innovations in education transform learning methods and make education more accessible and effective.

12. **Social Transformation:** Innovations can lead to shifts in cultural norms, behaviors, and

societal structures, impacting how individuals interact and connect.

13. **Sustainability:** Innovation is essential for developing sustainable solutions that address environmental challenges and promote responsible resource management.

14. **Scientific Discovery:** Innovation leads to breakthroughs in science and research, pushing the boundaries of knowledge and understanding.

15. **Continuous Improvement:** The pursuit of innovation encourages a mindset of continuous improvement, fostering ongoing advancements and development.

In essence, innovation is not only a catalyst for progress but also a driving force behind positive change in society, the economy, and various fields of human endeavor.

## **2.4 Here are some recent trends in innovation within the manufacturing and service sectors in India:**

Innovations in the business world are becoming more and more frequent due to the spread of internet and access to the global markets. New age entrepreneurs are competitive enough to revolutionize the market with brilliant unique ideas faster than even before a technology becomes common. Newer versions are launched even before the previous ones have even penetrated the market completely.

**1. Digital Transformation:** The biggest transformation in the business world these days is digitalization. There is a parallel market operating in today's era which is the virtual online market. It has increased its share in the business to a very significant size that it has become impossible for businesses to succeed and grow without having presence on the internet.

**2. Customization:** From computers to cars, Jordan shoes to Bare Anatomy shampoos- customers have access to the privilege of customizing their own products as per their choices and requirements these days. Many brands have gained customers on the ground of providing ample liberty to customers to decide and design their own products to consume for example Dell computers, Jordan shoes, Bare Anatomy shampoos etc.

**3. Artificial Intelligence:** The technology these days have advanced to unimaginable scenario. Artificial intelligence is being used these days by Human resource management teams of businesses to recruit and select candidates. It has proved to be a boon in marketing and advertising industry as the artificial intelligence is even used to analyze the potential future buys of people

which they are either planning to or are having some interest in any product or service. Whatever we search or talk about or surf on the internet is used to send us the relevant advertisements, and offers of brands.

**4. Faster frequent global transactions:** Businesses these days have global reach thanks to technological advancement, electronic devices, internet and social media. Many businesses have flourished due to their innovative customer relationship management and social media fame. For example: 1) Many designers these days take measurements and sell their designs to customers abroad online and courier the designer dresses. 2) Many dieticians provide online diet plans to customers etc.

**5. Online economy:** Financial transactions these days have increased through online modes more like online money transfer applications, Whatsapp, bank accounts etc. Bitcoins and crypto currency is another pioneer of emergence of a virtual financial market presence. This innovation although has increased the scope for small businesses as they can now just operate financially with the help of their personal phones conveniently. Payment has become easy, quick and safe through these applications.

**6. Marketing strategies:** The marketing techniques have evolved a lot different from what traditionally these were practiced as. Traditional advertising is becoming irrelevant day by day. Advertising is more through content creators on social media and through online modes or innovative customer building chain organizations like one followed by Amway - Nutritive, Avon etc.

**Invention to innovation:** Since ancient times, the world has seen abundant inventions. An enterprise converts these inventions into innovations by actually introducing them into the society. This conversion of ideas and inventions into innovative products that can be marketed has taken up speed in present era due to ease of knowledge sharing over the internet and increased awareness. We can see so many examples of common people turning into entrepreneurs successfully by converting these ideas into innovative goods and services

### **Manufacturing Sector:**

1. Industry 4.0 and Digital Transformation: The manufacturing sector is witnessing a shift towards Industry 4.0, characterized by the integration of automation, IoT (Internet of Things), AI (Artificial Intelligence), data analytics, and cloud computing. This enables "smart factories" that optimize production processes, improve efficiency, and reduce downtime.

2. Additive Manufacturing (3-D Printing): 3-D printing is gaining momentum in India, allowing manufacturers to create prototypes, customized products, and even spare parts with greater flexibility and cost-effectiveness.
3. Robotics and Automation: Manufacturers are increasingly adopting robotics and automation for tasks ranging from assembly to quality control, enhancing precision, reducing human errors, and increasing overall productivity.
4. Sustainable Manufacturing: Environmentally conscious practices are on the rise, with a focus on reducing waste, energy consumption, and carbon footprint. This includes the adoption of eco-friendly materials, energy-efficient processes, and waste reduction techniques.
5. Supply Chain Innovation: The pandemic highlighted the need for resilient and agile supply chains. Innovation in supply chain management includes predictive analytics, blockchain for transparency, and risk management tools.

### **Service Sector:**

1. Digital Payment and Fintech: India's service sector has seen rapid growth in digital payments and Fintech solutions. Mobile wallets, UPI (Unified Payments Interface), and digital banking are transforming the way financial transactions are conducted.
2. E-Commerce and Online Marketplaces: The rise of e-commerce platforms has transformed retail and brought convenience to consumers. Innovations in last-mile delivery, cashless transactions, and AI-driven recommendations are enhancing the customer experience.
3. Healthcare Technology (Healthtech): Healthtech solutions, such as telemedicine platforms and health monitoring apps, have gained prominence, especially during the COVID-19 pandemic, making healthcare services more accessible and efficient.
4. EdTech: The education sector has witnessed a surge in online learning platforms, catering to students of all ages. EdTech innovations include interactive learning tools, virtual classrooms, and personalized learning experiences.
5. Food Delivery and Aggregators: The food service industry has seen innovations in food delivery and aggregation platforms, with AI-driven delivery route optimization and contactless delivery options.
6. Logistics and Last-Mile Delivery: Innovations in logistics include real-time tracking, route optimization, and drone/autonomous vehicle deliveries for faster and more efficient last-mile delivery.

7. Entertainment Streaming: Streaming services for movies, TV shows, music, and gaming have gained popularity, offering consumers on-demand entertainment options.

## **2.5 CHECK YOUR PROGRESS**

### **Short Questions:**

1. Why is innovation important in today's rapidly changing world?
2. What are the key features of an innovative idea or product?
3. Who is an innovator and what role do they play in society?
4. What are some common functions of successful innovators?
5. How does innovation contribute to economic growth and development?
6. What recent trends have been observed in the field of innovation?
7. Why is the need for innovation more pronounced in industries like technology and healthcare?
8. What are some examples of innovations that have transformed the way we live and work?
9. How does innovation contribute to solving global challenges such as climate change?
10. How can organizations foster a culture of innovation?

### **Long Questions:**

1. Discuss the need for innovation in today's complex and competitive global landscape, highlighting its role in driving progress, adapting to change, and addressing societal challenges.
2. Can you elaborate on the key features that distinguish innovative ideas, products, or services from conventional ones? How do these features contribute to their impact?
3. Explore the role of an innovator in society, delving into their ability to create change, drive progress, and shape the future across various fields.
4. What are some functions and responsibilities that successful innovators undertake to bring their ideas to fruition? How do these functions contribute to the success of the innovation process?
5. In what ways does innovation play a pivotal role in economic growth and development, leading to job creation, industry evolution, and technological advancements?
6. Provide an overview of recent trends in innovation, considering aspects such as technological advancements, shifts in consumer behavior, and emerging industries.
7. Highlight the need for innovation in specific sectors such as technology and healthcare, discussing the impact of innovative solutions on improving efficiency, access, and outcomes.
8. Share examples of groundbreaking innovations that have transformed daily life, industries, or the way we interact with the world, emphasizing their lasting effects.

9. How does innovation contribute to addressing global challenges like climate change, poverty, and healthcare access? Provide examples of innovative solutions in these areas.
10. Discuss strategies that organizations and individuals can adopt to foster a culture of innovation, encouraging creativity, experimentation, and continuous improvement.

## **GLOSSARY**

**Entrepreneurship** refers to the process of creating, developing, and managing a business or venture with the aim of taking on financial and personal risks in order to achieve innovation, growth, and profitability.

**Innovation** refers to the process of introducing new ideas, methods, products, or services that create significant improvements, advancements, or changes in various fields, such as technology, business, science, or society.

### **Innovator**

An innovator is an individual or entity that introduces new ideas, concepts, products, services, processes, or solutions that bring about positive change, advancement, or improvement. Innovators are characterized by their creativity, originality, and willingness to explore uncharted territory.

### **References:**

1. John Kotter, *Leading Change: An Action Plan from The World's Foremost Expert on Business Leadership*, Macmillan Audio
2. William Bridges, *Managing Transitions: Making the Most of Change*, Da Capo Lifelong Books;
3. Kevin Ashton, *How to Fly a Horse: The Secret History of Creation, Invention, and Discovery*, Anchor
4. Austin Klein, *Steal Like an Artist: 10 Things Nobody Told You About Being Creative*, Adams Media

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

<b>UNIT III      ENTREPRENEURIAL PROCESS</b>
--

- 3.1 Introduction**
- 3.2 Entrepreneurship Process**
  - 3.2.1 Deciding to become an entrepreneur**
  - 3.2.2 Generating business ideas**
    - 3.2.2.1 Methods of generating ideas**
  - 3.2.3 Opportunity sensing and identification**
  - 3.2.4 Test of feasibility of business idea**
  - 3.2.5 Developing a business proposal**
  - 3.2.6 Project Appraisal by external agencies**
  - 3.2.7 Converting the idea to enterprise**
- 3.3 Summary**
- 3.4 Long Questions**
  - Short Questions**
  - Exercise**

**Glossary**

**Suggested Reading**

---

**3.1 INTRODUCTION**

---

Entrepreneurship is the process of exploiting an opportunity by a unique combination of resources. It is simply the pursuit of opportunity regardless of currently available resources. Therefore, we can say that entrepreneurs are opportunity driven and not resource driven. Entrepreneurs believe that opportunity comes from identifying changes in the environment. Entrepreneurship is the ability and quality of an entrepreneur to identify an investment opportunity and to organize an enterprise to contribute for the real economic growth. It is an attempt to create value through identification of business opportunities by mobilizing human, financial, managerial, and material resources.



---

## **3.2 ENTREPRENEURIAL PROCESS**

---

Entrepreneurship is the pursuit of market opportunities to produce innovative goods and services. Once the enterprise gets established, the entrepreneurial process effectively becomes a recurring progress of opportunities. It becomes the process of allocating scarce resources wisely to follow the value-added opportunities. The entrepreneurial process involves the following steps:

1. Deciding to become an entrepreneur
2. Generation of business ideas
3. Opportunity sensing and identification
4. Test of feasibility of business ideas
5. Developing a business proposal
6. Project appraisal by external agencies
7. Converting the idea to enterprise
8. Managing and growing the enterprise

---

### **3.2.1 DECIDING TO BECOME AN ENTREPRENEUR**

---

Refers to the first step of entrepreneurial process in which an individual decides to start his/her enterprise. The desire to become an entrepreneur may due to the following reasons:

- i. Arising of an innovative idea backed up by the ability to start a business
- ii. Inheriting wealth and skills to establish an enterprise
- iii. Prevailing problems in current jobs
- iv. Willing to become own boss
- v. Pursuing own ideas
- vi. Realizing the need of earning money

---

### **3.2.2 GENERATION OF BUSINESS IDEAS**

---

Developing a business idea is the second step taken by an entrepreneur t for setting up an enterprise. It is impossible to establish an enterprise without developing a business plan. Developing a business idea involves recognizing opportunities and shaping them into feasible business concepts. It requires acquired knowledge, data, research, and ideas to transform information into something that can be applied to a new situation or problem. For developing business ideas an entrepreneur must consider the following questions:

How to create value for customers?

- i. How the products produced by the enterprise would be different from that of its competitors?
- ii. What would be the business strategies (Marketing, sale and distribution)?

Answering these questions involve a deeper process of critical and creative thinking. An entrepreneur with his / her knowledge, attitudes, beliefs, habits makes a reflective judgment to come to an idea which further forms a business concepts. The entrepreneur needs to first find out the opportunity and decision is taken for utilization of the opportunity to convert into a business idea. Further, the entrepreneur needs to convert those business ideas into a successful venture.

---

### 3.2.2.1 METHODS FOR IDEA GENERATION

---

Idea generation involves exploring ideas to develop a new business. A business idea can be generated with the help of different methods that are as follows:

1. **Environment Scanning:** One of the important techniques that can be used to generate idea is environment scanning. An entrepreneur should scan the information to generate ideas. It requires a lot of efforts, but the results are rewarding. A large amount of information is available from:
  - a. Popular newspapers and magazines
  - b. Reviews
  - c. Government and consumer publications
  - d. Trade publications
  - e. Commercials etc.
2. **Survey:** Here the entrepreneur tries to obtain information from people about their needs and desires. It helps in the identification of market trends and opportunities in setting up a new venture. In this method a questionnaire is prepared which has questions on common thing that people face in their day-to-day life. The entrepreneur asks individuals to fill that forms and become part of the survey. The entrepreneurs can conduct survey either by directly approaching people or sending them mails. In addition, the entrepreneur can create an online questionnaire for the respondents.

3. **Brainstorming:** This technique is practiced in a group of 10 to 12 peoples. The aim is to create a pool of ideas based on four general rules. The rules for brainstorming include avoid criticism, focusing on quantity, being creative as possible and combining ideas to arrive at a comprehensive solution.
4. **Focus Group:** Here the groups are formed by an entrepreneur to generate business ideas with the help of people who are experienced in that field. Generally, group consist of 8 to 12 members. A topic is given for discussion and the members are also informed about the motive of conducting discussion. Various aspects are covered during the discussion.
5. **Getting help from entrepreneurs:** To attract corporate entrepreneurs, several s seminars and conferences are conducted periodically. These business meetings play a significant part in getting useful tips for new ventures.
6. **Personal Hobbies:** Personal hobbies of an individual also facilitates in generating new ideas. Some successful projects have materialized by entrepreneurs from their personal interest and hobbies.

Project ideas originates from various sources or due to different reasons like the success story of a friend/relative, experience of others in manufacturing /sale of product, demand for certain products, chances of producing a substitute of an article imported for which there is good demand etc. and of course the motivation, background and skill of the entrepreneur and his associates.

### **IMPORTANCE OF EVALUATING IDEAS**

Although generating idea is important process for entrepreneurs, but it is incomplete without their proper evaluation. Idea evaluation is important because of the following reasons:

- i. **To decide what is important:** Idea evaluation is important because it forces the entrepreneur to decide what is important to the entrepreneurial venture which is entrepreneur is pursuing. Evaluation of potential ideas is done to know what is important or worth for entrepreneurs.
- ii. **To identify strength and weakness of the ideas:** Evaluation is done to know the strength and weakness of the ideas because all ideas are not created equally. Some ideas that an entrepreneur comes up will have better chances of success than other. By evaluating the strength and weakness of each idea, the entrepreneurs will come to know the viability of each idea.

- iii. **To make the best use of limited resources:** Most entrepreneurs have limited resources. By evaluating their entrepreneurial ideas, they can make sure that their entrepreneurial ideas, they can make sure that their choices make the best use of those limited resources.
- iv. **To minimize risks while maximizing returns:** An entrepreneur makes an effort to evaluate potential entrepreneurial ideas with a view to minimize the level of risk exposure while maximizing the possible amount of payoff return.

---

### **3.2.3 OPPORTUNITY SENSING AND IDENTIFICATION**

---

Opportunity exists in the environment. It is a set of circumstances that make it possible to do something new. It may be defined as a side -effect of change. Opportunity may be explained desired conditions for starting up a new business or venture or new product. Opportunity as an attractive project idea which entrepreneur accepts as a basis for his investment decisions. The best example of such pattern is Amazon.com that was established by Jeff Bezos who left his job in New York City Investment and searched for an opportunity with Seattle.

Identification of opportunities has been recognized as one of the most important abilities of successful entrepreneurs. Entrepreneurial opportunity is a favourable set of circumstances that creates a need for new products, services or business. It is not easy to spot or identify a genuine opportunity. Opportunity is not just a different version of something already done by somebody else. A real opportunity is to identify a product or service that people lack and are willing to buy. Business opportunity can be defined as an economic idea which can be converted into a business enterprise to earn profits.

There are lots of opportunities in the environment. Before selecting an opportunity, the entrepreneur must ensure two things:

- i. There is a good market for the product he is going to produce.
- ii. The rate of return is attractive.

Every idea cannot be converted into an opportunity. Sometimes entrepreneur conceives the idea and converts it into an enterprise without carrying out an in-depth analysis resulting in failure of business. Before converting the ideas into business, one must analyze the opportunities properly.

## **ELEMENTS OF BUSINESS OPPORTUNITY**

A good business opportunity has five elements:

- i. Assured market scope
- ii. An attractive and acceptable rate of return on investment
- iii. Feasibility of the idea
- iv. Skill and competency of the entrepreneur to exploit the opportunity
- v. Potential of future growth

## **PERCEIVING AND SENSING OPPORTUNITY**

Opportunities exist in the environment. Perceiving an opportunity means becoming aware of the opportunities in surrounding. Opportunities for introducing a new entrepreneurial unit exist in the environment everywhere but we are not competent to perceive them. There are several methods to search for opportunity. Some of the important methods are as follows:

1. **Analyzing market trends:** Involves analyzing market patterns and finding out business opportunities in those patterns. An entrepreneur needs to examine economic, social, political, regulatory, and technological factors of the market to search for an opportunity.

a. **Economic factors:** refers to factors that are related to disposable income in a society. In case of high income, the purchasing power of the consumer is high and he or she will spend more on purchasing goods and services. The income level of society affects the opportunity for establishing a business by the entrepreneur.

b. **Social factors:** refers to factors that affect current market trends and opportunities in a society. Demand and living style of people in a society can affect the need of different products and services.

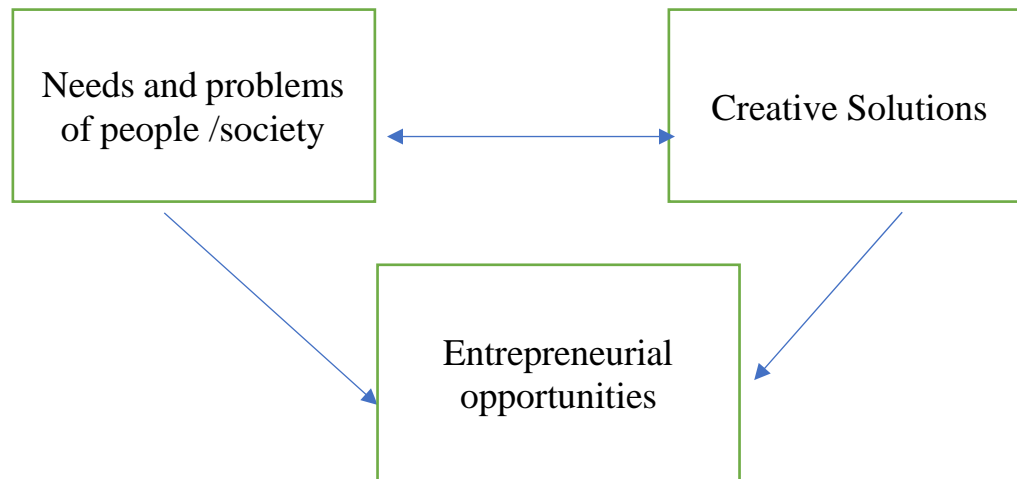
c. **Technological factors:** An invention in the field of technology opens doors for other inventions and opportunities. Technological factors affect the market trends to a large extent.

d. **Political and Regulatory factors:** Refers to factors that are related to the political environment and regulatory aspects of a society. These factors directly affect the opportunities for a business.

2. **Problem identification:** Involves recognizing the problem that arises in society. Entrepreneurs diagnose these problems and search for the solutions. The solutions may result in the launching of new venture.

➤ **SENSING ENTREPRENEURIAL OPPORTUNITIES**

Sensing Entrepreneurial opportunities can be explained as a process of perceiving the requirements and problems of people and society and finding at creative solutions. In simple words we can say that grabbing the opportunities and setting up a business enterprise to provide the solution of different problems.



Generally, the person who can perceive the requirements and problems of people and society and arrive at creative solutions can turn out to be a successful entrepreneur. Entrepreneurs have some unique abilities to spot the problems of the people and society and convert them into opportunities through creative solutions.

An entrepreneur uses his sharpened skills of observation, analysis, and experience to sense an entrepreneurial opportunity.

The entrepreneur should possess the following attributes to sense and understand the entrepreneurial opportunities:

- Creativity
- Imagination
- Intuition
- Innovativeness
- Communicability
- Market sensitivity
- Responsiveness

Opportunities are aspects of the environment that represent potentialities for profit making.

Opportunity identification is a decision task in entrepreneurship. It is a trait that every entrepreneur must have in order to exploit new business endeavors.

### **ENTERPRISE PROCESS:**

The process of starting an enterprise involves the following steps:

- i. Opportunity spotting by analyzing the needs and problems of customers in the environment
- ii. Evaluating the ideas received from different sources to find a creative solution
- iii. Identify a product or service suitable to fulfill the need
- iv. Setting up the enterprise to carry on the project

---

### ***3.2.4 TEST OF FEASIBILITY OF BUSINESS IDEAS***

---

#### **FEASIBILITY STUDY**

Feasibility means whether the idea will be fruitful or not. Project idea is examined from the point of view whether to go in for a detailed investment proposal or not. As project idea is examined in the context of internal and external constraints. There are three alternatives that could be considered.

- i. The project idea seems to be feasible
- ii. Project idea is not feasible
- iii. Unable to arrive at a conclusion for want of adequate data

If is feasible we proceed to the second step, if not feasible we abandon the idea and if sufficient data are not available, we make more efforts to collect the required data and design development.

#### **IMPORTANCE OF FEASIBILITY STUDY FOR ENTREPRENEURS**

It is important for the entrepreneurs because of the following reasons:

- i. List in detail all the things which are required for project
- ii. Help in identifying logistical and other business-related problems and solutions
- iii. Develop market strategies to convince a bank or investor that their business is worth considering as an investment
- iv. Serve as a solid foundation for developing their business plans

Feasibility study helps to evaluate a business idea. It is a cost-effective way so that they can market their products and services profitability. A feasibility study will help to identify these factors and take corrective actions, so that negative effects are minimized.

## **TYPES OF FEASIBILITY STUDY**

An entrepreneur may conduct the following types of feasibility studies:

- i. **Market feasibility:** Market feasibility is a method of screening project ideas as well as means of evaluating a project's feasibility in terms of the market. A market analysis should cover the following areas:
  - a. A brief market description including the market area, methods of existing rates of transport, channels of distribution, and general trade practices.
  - b. An analysis of past and present demand, determination of quantity value of consumption and identification of major consumers of the market
  - c. An analysis of past and present supply, broken down as source ( Whether imported or domestic ),as well as information to assist in determining the competitive position of the product such as selling prices, quality and marketing practices of competitors.
- ii. **Technical Feasibility:** The technical feasibility study established whether the project is technically feasible or not and whether it offers basis for the estimation of costs. Moreover, it provides an opportunity for a consideration to the effect of various technical alternatives on employment, ecology, infrastructure demands, and capital services, support of other industries, balance of payments and other factors. A technical feasibility should review the techniques or processes to be applied and should incorporate:
  - a. A description of the products
  - b. A description of the selected manufacturing process
  - c. A determination of the plant size and production schedule
  - d. Selection of machinery and equipment
  - e. An identification of plant's location and as assessment of its desirability in terms of its distance from raw material sources and markets
  - f. A design of plant layout and an estimate of the cost of the erection of the proposed building and land improvements
  - g. A study of availability of raw materials and utilities
  - h. An estimate of labour requirements
  - i. An estimate of the production cost of the product



iii. **Financial Feasibility:** The financial feasibility examines the workability of the project proposal in respect of raising finance to meet the investments required for the project be it equity or debt. This apart, the financial feasibility also consists of calculations of cost of debt, cost of procuring capital, cost of services the debt and equity and anticipated profits to checkup whether the financial benefits expected are in excess of the financial costs involved.

iv. **Organizational feasibility:** This study defines the legal and corporate structure of the business and may also include professional background information about the founders and what skills they can contribute to the business.

### **FEATURES OF FEASIBILITY STUDY**

A feasibility study should have the following features:

- i. A feasibility study is a process in which idea is examined to check its feasibility.
- ii. A comprehensive feasibility study looks at the entire structure, needs and operations of a business.
- iii. A limited or project feasibility study looks at one specific tasks, programme, idea or problem.
- iv. A feasibility study looks at both sides considering advantages and disadvantages and troubleshoots potential problems.
- v. A feasibility study is not a business plan, but used as foundation for preparing business plan
- vi. A market feasibility study is not a marketing plan but studies markets and market potential and can be used to support of develop a marketing plan.
- vii. In addition to a business plan, an investor or lending institutions may require the submission of a feasibility study before considering the request for capital.

---

### **3.2.5 DEVELOPING A BUSINESS PROPOSAL**

---

A business plan is a written summary of various elements involved in starting a new enterprise, how the business will organize its resources to meet its goals and how it will measure its progress.

A business plan serves the following purpose:

- i. Provides a blueprint of actions to be taken in the future

- ii. Guides the entrepreneur in organizing the factors of production
- iii. Serves as a guide to organize and direct the activities of the business venture
- iv. Helps in measuring the progress of the venture at successive stages
- v. Communication to investors, lenders, suppliers etc. about initiating the programmes of the business.

### **ELEMENTS OF A BUSINESS PLAN**

An ideal business plan must focus on the following points:

- i. **Objectives and strategies of the business:** The first and foremost elements to be defined by a business plan are the objectives and strategies of the proposed business. These objectives and strategies define the overall premises of the plan.
- ii. **Customer Scenario:** This part of the business plan identifies the potential customers of the business, choices available with them, their concerns and fears and the solutions offered by the proposed business.
- iii. **Market segments:** The elements of the business plan discuss the probable segments in which the market of the product /service offered by the business can be divided.
- iv. **Products and services to be offered:** This segment of the business plan elaborately discusses the product/services offered by the business. It also compares it with the products /services offered by the competitors.
- v. **Sales forecast:** This is an important element of the business plan, as it helps to assess the future viability of the business.
- vi. **Steps required to attain the objectives:** This is particularly an elaborative aspect, in which the various steps to be undertaken to achieve the objectives are specified.
- vii. **Description of the distribution system:** This element of the business plan describes the proposed distribution system for the product/services offered.
- viii. **Promotional activities:** This element addresses the problem of promoting the product /service and the various elements of promotion mix to be used in this regard.
- ix. **Pricing Decisions:** This aspect of the business plan discusses the price of the product/service and the factors considered while arriving at this price.

## **GENERAL FORMATS OF A BUSINESS PLAN**

### **1. General Introduction**

- i. Name and address of business
- ii. Name and address of entrepreneur
- iii. Stakeholders of business
- iv. Nature of business and customers

### **2. Business Venture**

- i. Products to be offered
- ii. Services to be offered
- iii. Scale of business operations
- iv. Type of technology used
- v. Type of skill personnel required

### **3. Organizational Plan**

- i. Form of ownership, viz sole proprietorship, partnership or joint stock company
- ii. Identification of business associates/partners/members
- iii. Administrative structure
- iv. Identification of management team

### **4. Production Plan**

- i. Details of manufacturing process
- ii. Physical infrastructure required
- iii. Types of plant and machinery
- iv. Raw materials to be used
- v. Requirements of power, water etc.

### **5. Human Resource Plan**

- i. Categories of human resources or staff required
- ii. Human resource already identified
- iii. Human resource required to be procured
- iv. Time frame for procurement of human resources

### **6. Marketing Plan**

- i. Products and services offered
- ii. Pricing Policies

- iii. Promotional Strategies
- iv. Logistics for distribution
- v. Channels of distribution

#### **7. Financial Plan**

- i. Break-even analysis
- ii. Fixed Capital requirements
- iii. Working capital requirements
- iv. Sources of capital
- v. Schedule of procurement of capital
- vi. Schedule of procurement of asset
- vii. Cash flow projection

#### **8. Miscellaneous /Appendix**

- i. Market research report
- ii. Contract with vendors
- iii. Contract with financial institutions
- iv. Types of business risk
- v. Contingency plan

Execution of a business plan means putting a business plan into action. An efficient execution of the business plan to success of a business while inefficient execution might lead to its failure. An organization should ensure proper execution of its business plan, and this can be achieved through alignment. To effectively align strategies people and tactical action plans that leads to a successful execution, a lot of hard work and diligent communication must happen.

---

### ***3.2.6 PROJECT APPRAISAL***

---

Project appraisal is a process of detailed examination of several aspects of a given project before recommending the same. The institution that is going to fund the project must satisfy itself before providing financial assistance for the project. The lending institution has to ensure that investment on the proposed project will generate sufficient returns on the investment made and that loan amount disbursed for the implementation of the project will be recovered along with interest within a responsible period of time.

The appraisal of project is undertaken by the financial institution with the twin objectives of

determining the market potential of a project and selecting an optimal strategy. The method of analysis nevertheless certain common aspects of study from the angle of technology and engineering are with a mention:

- ❖ Choice of technical process or appropriate technology
- ❖ Technical collaboration arrangements if any
- ❖ Size and scale of operations
- ❖ Locational aspects of the project and availability of infrastructural project
- ❖ Selection of plant, machinery, and equipment together with background, competence and capability of machinery/equipment suppliers
- ❖ Plant layout and factory buildings
- ❖ Technical engineering services
- ❖ Project design and network analysis for the assessment of project implementation schedule
- ❖ Aspects relating to effluent disposal, management of entry, utilization of by-products etc.
- ❖ Project cost and its comparison with other similar projects, based on technology equipment, product mix and time spread
- ❖ Determination of project cost estimates, profitability projections etc.

---

### **3.2.7 CONVERTING THE IDEA TO ENTERPRISE**

---

Establishing an enterprise involves various activities such as financing, organizing and promoting. These activities are undertaken by the entrepreneur. An entrepreneur is an individual who identifies and pursue opportunities to fulfill the needs and expectation of customers through innovations. He /she strive to utilize resources in a manner to produce value added products at competitive price and make the business venture setting up a new enterprise involve certain steps:

- 1) **Creating a Business Plan:** refers to the first step of setting up an enterprise. It involves setting entrepreneurial vision which describes the strategy and operations of the proposed venture. An entrepreneur should align the business goals with his or her personal goals to start the enterprise successfully. A business plan must be drafted carefully while keeping future prospects in mind.
- 2) **Selecting the form of business organization:** it means that a business enterprise can be owned and operated in various forms such as proprietorship, private limited company, partnership firm, Limited Liability partnership, one person company and cooperatives. The form of business organization determines the power responsibility, control and risk to be borne by the entrepreneur.

Therefore selecting the right form of organization requires a lot of attention and supervision by the entrepreneur.

3) **Making a product choice:** it refers to the most important setting up of a new enterprise. The success or failure of an enterprise depends upon its decision of selecting the products to be manufactured. Making a product choice lay the basis for other activities. Selecting a product or service initiates identifying a number of products and services then deciding the most suitable product or service as per the capability of entrepreneur. The decision is taken through a comparative analysis of products and services.

4) **Selecting the location:** the location of a business is the most important factor that decides its success or failure. An enterprise needs to consider its present requirements and future expansion plans while deciding the location for its operations. The enterprise should comply with the environment guidelines and other regulations set by the government specific to a particular industry while selecting the location.

5) **Setting Up infrastructure:** Helps the entrepreneur in facilitating the commencement of operations. The entrepreneur should take into considerations various infrastructure facilities to run the organization. The location of enterprise successfully. The location of the enterprise should be well connected to the nearest transport network such as rail, road, or port. Moreover, the site should have basic facilities such as water, power, supply, and telecommunications.

6) **Naming and registering the enterprise:** Constitutes an important step in setting up an enterprise. Naming and registering the enterprise is legislative process that authorize the central government to regulate the formation, financing, functioning and winding up the enterprise. Registration is not mandatory for small scale enterprises. However, registration entitles small-scale enterprises to obtain the privileges, incentives, and support services of government available for them. District Industry Centre (DIC) is the primary registering Centre established in all the districts of states in India.

7) **Fulfilling the Regulatory requirements:** call for obtaining several clearances and approvals for land acquisition, pollution control and safety for setting up an enterprise. An entrepreneur needs to contact local government authorities such as municipalities or village Panchayats and state pollution control boards to get approvals and clearances.

8) **Pricing a product:** Refers to the most crucial decision to set up an enterprise. The price of a product can be determined by evaluating various factors such as cost, value and profit from

products and the competition level in the market. Price helps in obtaining the market share and estimating the extent of profit that an enterprise can generate.

9) **Financing the start-up business:** refers to formulation of a financial plan which indicates the requirements of finance, sources for raising the finance and application of funds. Finance provides support to various business activities such as implementation of business plans, production and marketing. An entrepreneur needs to determine the total working capital required appropriate sources of required funds and arrange the necessary funds.

10) **Procuring Physical Resources:** Constitutes the major decision in setting up a new enterprise. After deciding the location and arranging funds, the entrepreneur needs to procure the essential resources such as raw materials, machines and equipment to conduct business operations.

11) **Hiring Human Resources:** plays one of the important factor in setting up new enterprise. The success of the enterprise largely depends on the efficiency of its human resource. The entrepreneur should hire the right number of employees with required skills and competencies. The hiring process includes four main steps namely manpower planning, recruitment, selection and placement. Each of these steps helps the entrepreneur to acquire more and more information about candidates thus helping in procuring the best possible workforce for the enterprise.

---

### 3.3 SUMMARY

---

Entrepreneurship is the pursuit of market opportunities to produce innovate goods and services. Once the enterprise gets established, the entrepreneurial process effectively becomes a recurring progress of opportunities. It becomes the process of allocating scarce resources wisely to follow the value-added opportunities. The entrepreneurial process involves the following steps:

1. Deciding to become an entrepreneur
2. Generation of business ideas
3. Opportunity sensing and identification
4. Test of feasibility of business ideas
5. Developing a business proposal
6. Project appraisal by external agencies
7. Converting the idea to enterprise
8. Managing and growing the enterprise

---

## **GLOSSARY**

---

1. Business proposal: Outline of business plan
2. Capabilities: The power or ability to do something
3. Challenges: Something new and difficult that forces one to make a lot of efforts
4. Competencies: Competencies are the knowledge, skill and other requirements that are needed for someone to perform a job successfully.
5. Development: The process in which someone or something grows or changes and becomes more advanced
6. Enterprise: A new plan/project/business etc.
7. Motivation: Process of stimulating people to actions to accomplish the goals
8. Motive: A reason for doing something
9. Process: A process is a set of activities that interact to produce a result
10. Opportunity: a chance to do something that you would like to do

---

## **LONG QUESTIONS**

---

1. Explain common ways of generating ideas.
2. Discuss entrepreneurship process.
3. What is meant by “Sensing entrepreneurial opportunities”? Explain the important factors involved in it.
4. Explain the different methods through which ideas can be generated.
5. Explain the different types of feasibility study.
6. Discuss the general format of business plan.
7. Explain the steps for setting up an enterprise.
8. Explain business plan in detail.
9. Explain the need for and importance of project appraisal.
10. Evaluating idea is important. Why?

---

## **SHORT QUESTIONS**

---

- 1) Define idea generation.
- 2) What do you mean by environment scanning?



- 3) What is the concept of entrepreneurial development?
- 4) What is feasibility study?
- 5) What do you understand by project appraisal?
- 6) What are the elements of business plan?
- 7) Define problems and opportunity.
- 8) Name two sources from where the idea generates.
- 9) Explain the features of feasibility study.
- 10) What do you understand by brainstorming?

---

## **EXERCISE**

---

Rohit wants to start a business after completing his studies. However he does not have any business idea. He thinks that a great idea related to business venture will appear out of nowhere. Is Rohit justified in his thinking? Discuss

---

## **SUGGESTED READING**

---

1. Vasant Desai, Dynamics of Entrepreneurial Development and Management, Himalaya Publishing House, Reprint,2005
2. Dr. M.K. Sehgal, Entrepreneurship Development A Systematic Approach, UDH Publishers & Distributors Pvt Ltd, First Edition, August 2011
3. David H. Holt, Entrepreneurship New Venture Creation, Prentice Hall of India Private Limited, Reprint ,2006
4. Dr Manjeet Singh. Gitanjali Jain,Anureet Bhalla, Jaideep Singh, Entrepreneurship and Governance, R.D. Publications, First Edition ,2020
5. Dr Kusum Lata, Jagroop Singh, Rajandeep Kaur, Entrepreneurship and Governance, Kalyani Publishers, Reprint,2023
6. Vasant Desai, Project Management, Himalaya Publishing House, Reprint,2017
7. K. Nagarajan, Project Management, New Age Publishers,Fifth Edition,2010
8. Ritu Batra, Entrepreneurship, Arihant Prakashan( School Division Series), March 2021
9. Alpana Trehan, Dreamtech Management Textbooks, Edition 2011

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

**UNIT- IV ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

**STRUCTURES**

**4.1 Objective**

**4.2 Introduction**

**4.3 Concept of Entrepreneurial Development Programmes**

**4.4 Definition of Entrepreneurial Development Programmes**

**4.5 Relevance, Need and Role of Entrepreneurial Development Programmes**

**4.6 Phases of Entrepreneurial Development Programmes**

**4.7 Role of Government in Organizing EDPS**

**4.8 Problems Faced by Entrepreneurial Development Programmes**

**4.9 Suggestions**

**4.10 Selection of Potential entrepreneurs for Entrepreneurial Development Programme**

**4.11 Summary**

**4.12 Long Questions**

**Short Questions**

**Exercise**

**Glossary**

**Suggested Reading**

---

## 4.1 OBJECTIVE

---

Entrepreneurial Development Programme is designed to identify people who have entrepreneurial spirits and capabilities. These people are trained and motivated to venture into business activities. The objective is to develop motivation and requisite competence for successful establishment of enterprise. The main objective of entrepreneurial development programme is below:

- To identify and train potential entrepreneurs
- To develop necessary knowledge
- To give basic managerial knowledge
- To Provide post-training assistance

The basic objectives of an entrepreneurial development programme can be summarized as below:

1. **To develop the entrepreneurial motivation:** The basic objective of these programme is to develop their motivational qualities. Motivation may be any kind such as internal or external, financial, or non-financial etc. Entrepreneurial motivation is mainly psychological. It is related with need, drives, desires, and motives which are mental states.
2. **To analyze the environment:** As the business is surrounded by environment. Various environmental forces for example such political, technical demographics, economic, legal, global, cultural affect a business. With the help of entrepreneurial development programme, an entrepreneur can analyze the environment and have information about threats and opportunities. He can take benefit of relevant opportunities.
3. **To select product or project:** entrepreneurial development programme helps the entrepreneur in choosing the right project or right product. It provides solutions to problem faced due to uncertainties of the market.
4. **To formulate project:** Entrepreneurial development programme also contribute in understanding the process and procedure to formulate a project. And enable him in preparation of detailed project report.
5. **To acquire the basic managerial skill:** The main objective is also to provide necessary managerial skill in setting and running the enterprise.
6. **Identifying Sources of support:** Entrepreneurial development programme also identify the sources of help and support available to start an enterprise.

7. **Help in decision making:** the basic objective is the help the entrepreneur in making the strategic decisions for the success of enterprise. The EDPs enable the entrepreneur in deciding what type and nature of product, capacity of the unit, financial resources etc.
8. **To develop a passion for integrity, honesty and industrial discipline:** One of the important objective of entrepreneurial development programme is to strengthen his passion for integrity, honesty and compliance of law in achieving the success in business.
9. **To enable him or her to communicate clearly:** It also trains the entrepreneur to communicate clearly, quickly, and effectively.
10. **Provide encouragement:** The basic objective of these programmes is to prepare the entrepreneur for accepting the totally unforeseen risks and uncertainties involved in running a small sale business.

---

## 4.2 INTRODUCTION

---

The entire change and development of the civilization to a large extent is the result of trade, commerce and industrialization. In this development the human resource in general and entrepreneur in particular plays a pivotal role. McClelland has rightly hypothesized that the need for achievement in individual, i.e., the entrepreneurial potential is the psychological factor which engenders economic growth and decline. The sense of high need achievement and motivation introduced by the entrepreneurs bring about the required necessities in a class of society which transform the perception of economic thinking, which is necessary to bring about the economic development.

Entrepreneur Development is a prerequisite for an overall economic development of an economy. The economic development of a country depends upon the entrepreneurs. An entrepreneur is one who always search for change, responds to it and exploits it as an opportunity. EDPs are being offered by a large number of organizations with a view to explore hidden entrepreneurial ability in various target group and provide encouragement to participants to establish their own enterprise. Entrepreneur are not just born but they can be developed and trained to undertake ventures and be creative. Entrepreneur's development is essential as education process.

---

## 4.3 CONCEPT OF ENTREPRENEURIAL DEVELOPMENT PROGRAMS

---

Entrepreneurial development programme means a program designed to help a person in

strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. These programmes are primarily concerned with developing and motivating entrepreneurial talent and grooming to him to be an effective entrepreneur.

Entrepreneurship development is concerned with the study of entrepreneurial behavior, the dynamics of business set up, development and expansion of the enterprise. Entrepreneurship development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institutions building programmes. An EDP is based on the belief that individual can be developed and their outlook can be changed and their ideas can be converted into action through organized and systematic programmes. EDP is designed to identify persons who have entrepreneurial spirits and capabilities. These persons are trained and motivated to venture into business activities. The process of EDP is to provide a recent information to the potential entrepreneur regarding new business ideas, how to set up a new venture, helps in preparation of project report and also guides in compliance with legal formalities and provide information about source of finance etc.

---

#### **4.4 DEFINITION OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

---

According to Joseph E Schumpeter: Intelligence, motivation, knowledge and opportunity are the prerequisites of entrepreneurial Development.

SIET Institute, Hyderabad: It is an attempt to develop person as entrepreneur through structural training. The main purpose of such EDP is to widen the base of entrepreneurship by developing achievement motivation and entrepreneurial skills and among the less privileged sections of society.

According to N. P Singh : Entrepreneurial skill development programme may be defined as a programme 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.

According to C.B. Gupta and N.P. Srinivasan: “Development of an entrepreneur means inculcating entrepreneurial traits into a person, imparting the required knowledge, developing the technical, financial, marketing and managerial skills, and building the entrepreneurial attitude.”

---

## 4.5 RELEVANCE, NEEDS AND ROLE OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

---

Entrepreneurs act as catalytic agent in the process of industrialization and economic growth. Entrepreneurship plays a very important role in the economic development. EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to incubation, development and polishing of entrepreneurial skills into a person needed to establish and successful run his enterprise.

The main objective of EDP is to enable entrepreneurs initiating and sustaining the process of economic development in the following ways:

1. **Creation of Employment Opportunities:** Underdeveloped economy face the problem of unemployment. EDPs enable prospective entrepreneurs in setting up of their units thus paving the way for self-employment. With setting up more and more units by the entrepreneur, both on small scale and large scale a lots of job opportunities are created for others.
2. **Capital Formation:** Adequate funds are needed to start up a new enterprise and an entrepreneur mobilizes the idle savings of the public for productive use because he acts as an organizer of factors of production by employing his own and borrowed funds. In this way he contributes in capital formation which is so essential for industrial and economic development of a country.
3. **Balanced Regional Development:** EDPs also helps in accelerating the speed of industrialization in the industrially backward and remote area. Under EDPs the central and state governments offer various concession and subsidies for setting up new units which leads to development of backward area and balanced regional development.
4. **Improvement in Per Capita Income:** As more units are set up. It will lead to increase in production, employment, and generation of wealth in the form of goods and services. It will result in increase in productivity and per capita income in the economy.
5. **Utilization of Local Resources:** EDPs can help entrepreneurs in the proper use of local resources by providing guidance, assistance, education, and training to the prospective entrepreneurs.
6. **Improvement in the Standard of Living:** Better quality products are manufactured at low cost by adopting new and latest technology. It ensures easy availability of better-quality products at lower prices to the consumers which result in improvement in the standard of living. EDPs provide the necessary support to entrepreneurs by educating them about the new and latest innovations.

7. **Economic Independence:** Entrepreneurs enables country to produce wide variety of better-quality goods and services at competitive prices. They develop substitutes of the goods being imported. It checks the over dependence on other countries. Import substitution and export promotion help in increasing the economic independence of the country.

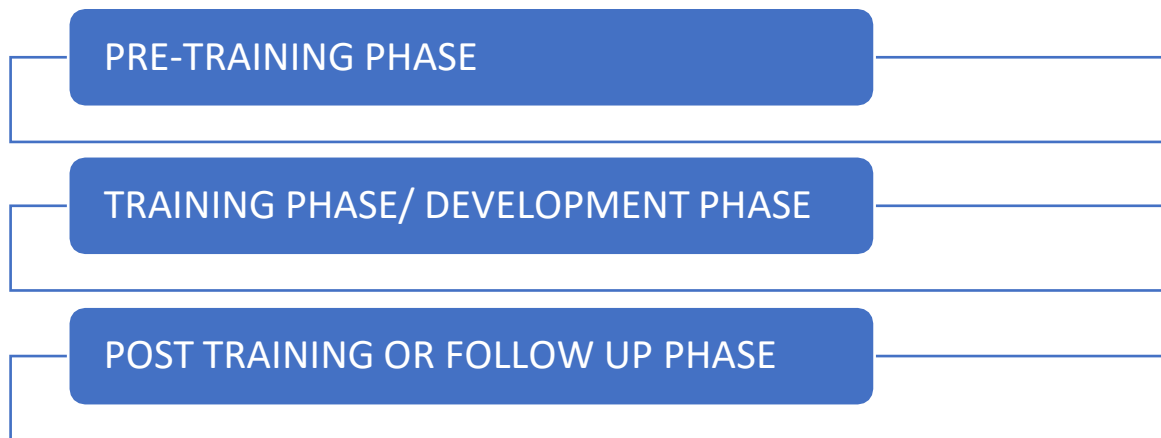
8. **Reducing Social Tensions:** EDPs helps in channelizing the unemployed youth in productive work by providing proper guidance, training and help for setting up their enterprise. All this result in creating avenues for self-employment and prevention of social tensions and unrest etc.

9. **Preventing Industrial Slums:** Industrial developed area is faced with big problems of industrial slums, which have adverse impact on the health of people. EDPs help in removal of industrial slums because the entrepreneurs are provided various schemes, incentives, subsidies and infrastructure facilities to set up their units in backward area.

---

#### 4.6 PHASES OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

---



- A. **Pre -Training Phase:** this phase is also called initial phase. It includes the activities preparations required to launch the training programme. Thus pretraining stage involves the identification and selection of potential entrepreneurs and providing initial motivation to them. The main activities are mentioned below:

- i. Creation of infrastructure for Training
- ii. Preparation of Training Course or Curriculum
- iii. Selection of Guest faculty or resource person
- iv. Arrangement for inauguration of the programme
- v. Choice of necessary tools and techniques to select the suitable entrepreneurs
- vi. Formation of selection committee for selecting trainees
- vii. Arrangement for publicity Media and campaigning for the programme
- viii. Developing Application Form
- ix. Finalization of training syllabus
- x. Pre-potential Survey of Environment opportunities

**B. Training Phase:** This phase is also known as Development Phase. During the training phase, the training programme is implemented to develop motivation and skills among the participants. The aim of the training is to bring desirable change in the behavior of the trainees. It includes the following:

- a. Bringing desirable changes in the behavior of the trainee
- b. Developing a goal directed behavior pattern
- c. Developing high degree of confidence
- d. Developing a strong sense of commitment
- e. Providing sufficient information about technology. Resources and other knowledge related to entrepreneur.
- f. Developing motivational skills

Entrepreneur training can be imparted by the following methods:

- i. Individual Training
- ii. Group Training
- iii. Lecture Method
- iv. Written instruction method
- v. Demonstration Method
- vi. Conference Method
- vii. Meeting



**C. Post Training or Follow Up Phase:** The ultimate goal of EDPs are to prepare the participants to start their enterprise. Therefore, this phase involves assessment to judge how far the programme has been achieved. It is called follow up. The aim of follow up phase is to :

- i. Review the pre-training work
- ii. Review the past training phase

---

#### **4.7 ROLE OF GOVERNMENT IN ORGANIZING EDPs**

---

After independence industrial development in India was concentrated in few hands and at a few industrially developed places.

The Government of India decided to help the potential entrepreneurs through several positive programmes by recognizing their important role in industrialization and economic development of the country. The main emphasis of these programmes was to provide finance, technical knowledge, market information and morale support to the potential entrepreneurs. Many institutions have been set up at all India Level and state level to provide different promoting services to the existing and new entrepreneurs.

Important institutions which are conducting EDPs in India are explained below:

➤ **National Institute for Entrepreneurship and Small Business Development (NIESBUD):** it was established in 1983 by the ministry of Industry, Government of India (now ministry of small-scale industries) NIESBUD serves as an apex Institution National level Resource Institute to accelerate the process of entrepreneurship development. It is the supreme organization for organizing, conducting, training and oversees the activities of various institutions and agencies engaged in entrepreneurship development particularly in the area of small industry and small business. It is registered as a society under government of India Societies Act XXI of 1860 and started functioning July 6 ,1983.

##### **4.7.1 THE MAJOR ACTIVITIES OF NIESBUD:**

Training: different kind of training programmes and include trainer's training programme (TTP)

1. Management development programme
2. Orientation programme for head of department
3. Entrepreneurship cum skill development programme
4. Senior executive development programme

- Besides the primary/basic research, also undertake review/evaluation of different government scheme, training need assessment etc.
- Developed model syllabi for organizing EDP and assist in standardization of common training programmes.
- Bringing out different publication and assembled entrepreneurship motivation training bring out a quarterly newsletter.
- Incubation Centre: sponsored by Ministry of MSME instrumental in providing hands on training on area real factory and market conditions and organize self-employment fair.
- Also developed e module for EDP and set up intellectual property facilitation center for identification, management, and protection of Intellectual Property Right.

➤ **OBJECTIVES OF THE INSTITUTE**

The main objective of NIESBUD are as follows:

- i. To accelerate the process of entrepreneurship development ensuring its impact throughout the country and among all segments of society
- ii. To help institutions in carrying out activities relating to entrepreneurship development with greater success
- iii. To evolve standardized process of selection, training support and sustenance to potential entrepreneurs, enabling them to set up and run their enterprise successfully.
- iv. To provide important information support to trainers, promoters and entrepreneurs by organizing documentation and research work relevant to entrepreneurship development.
- v. To provide functional forum for interaction and exchange of experience which will be helpful in policy formulation and modification at various levels.

➤ **FUNCTIONS OF NIESBUD**

- I. Act as Apex Institute: NIESBUD serves as an apex Institution National level Resource Institute to accelerate the process of entrepreneurship development. Ensuring its impact throughout the country and among all parts of the society.
- II. Organizing Training programmes: NIESBUD helps and support the affiliate institutions and organization in carrying training and other entrepreneurship development related activities with greater success.

- III. Coordinating the training activities: it also coordinates the training activities of various institutions and their organization in the country those providing training to the entrepreneur for development.
- IV. Conducting Examination: NIESBUD conducts various examination and tests and confer certificates and diploma to the trainers as well as the trainees.
- V. Setting up of self-employment venture: NIESBUD also identifies the potential entrepreneur far setting up enterprise or self-employment venture in small industries including services and small business mainly through sponsored EDPs.
- VI. Documentation and Research: It undertakes documentation and research in the field of entrepreneurship and small business development.

➤ **ENTREPRENEURSHIP DEVELOPMENT INSTITUTIONS IN INDIA**

The Entrepreneurship Development Institute of India is an apex entrepreneurship institute promoted by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India and State Bank of India.

The institute enjoys active support of Government of Gujarat. It has emerged from the center for entrepreneurship development of the Gujarat Industrial and Technical Consultancy Organization.

This institute undertakes EDPs to serve the following development objectives:

- i. Identification and selection of potential entrepreneurs
- ii. Developing entrepreneurial Capabilities
- iii. Assisting entrepreneurs in setting up their own projects
- iv. To diversify the sources of entrepreneurship
- v. To improve the performance of SSIs
- vi. Providing productive self-employment
- vii. Industrial Development of rural and less developed area

➤ **XAVIER INSTITUTE OF SOCIAL SERVICES RANCHI**

It was established in 1974. It has been functioning in close cooperation with Vikas Maitry, a social organization operating in the village of Ranchi, district of Bihar. It is involved with tribals and people from villages in training to become entrepreneurs. Xavier institute provides the training and helps the trainees in drafting project proposals and in obtaining the required finance. The program consists of:

- i. Identification and selection of candidates
- ii. Motivation of training
- iii. Managerial training
- iv. Placement and training for practical skills
- v. Market Survey
- vi. Financial assistance
- vii. Follow up counselling

➤ **SCIENCE AND TECHNOLOGY ENTREPRENEURSHIP PARKS**

IDBI has assisted seven STEPs namely:

- i. The Birla Institute technology (BIT) Ranchi
- ii. National Entrepreneurs Chemical Park (NECP), Mumbai
- iii. Trichy Regional Engineering College (TREC), Tiruchirappalli
- iv. Harcourt Butler Technological Institute (HBTI), Kanpur.
- v. Sri Jayachamarajendra College of Engineering (SJCE), Mysore
- vi. Guru Nank Engineering College, Ludhiana
- vii. Maulana Azad college of Technology, Bhopal

STEPs sponsored by Guru Nanak Engineering College will specialize in machine tools and electromechanical control equipment.

STEPs sponsored by Maulana Azad College of technology will be specializing in electronic and power engineering.

BIT -STEP has developed a unique technology for automatic wire length measurement system and import substitutive stainless steel wedge wire screen besides other technologies for industrial applications.

NECP is engaged in the preparation of project profiles of selected imported drugs.

TREC-STEP has developed technology for hi-tech points for nuclear applications, besides other hi-tech, and import -substitutive products etc.

➤ **CENTRE FOR ENTREPRENEURSHIP DEVELOPMENT**

The Centre for Entrepreneurship Development Ahmedabad was sponsored by the state government and public sector corporations concerned with industrial development in the state. This Centre conducts regular entrepreneurship development programme. Persons

are selected from amongst the employees, workers, merchants, graduates etc. and training is imparted at six canthers. Some of the significant features of the programme training are as follows:

- i. A survey of investment opportunity is made for identifying industries having good scope in the area before conducting the programme of training.
- ii. Suitable connection is created with various agencies which provide support and services to entrepreneurs in getting finance, readymade sheds, raw materials and other inputs.
- iii. Entrepreneurs are selected through behavioral tests. More weightage is given to experience rather than to education.
- iv. Individual attention is given to each entrepreneur trainee

➤ **TECHNICAL CONSULTANCY ORGANIZATIONS (TCOs)**

All India financial institutions have set up 18 TCOs to provide industrial institutions have set up 18 TCOs to provide industrial consultancy and training to entrepreneur. These organizations provide a comprehensive package of services to small entrepreneurs. The programme consists of:

1. Identification of Industrial potential
2. Undertake techno-economic survey
3. Undertake Market research
4. Conduct pre-investment studies
5. Locate potential entrepreneurs
6. Provide technical and managerial assistance

➤ **INSTITUTES FOR ENTREPRENEURSHIP DEVELOPMENT (IED)**

IDBI had announced the proposal to set up Institute for Entrepreneurship Development association with other financial institutions, banks and state government as part of a strategy giving special attention of entrepreneurship development needs of the more backward states. IEDs set up in Uttar Pradesh, Bihar and Orissa have become operational.

➤ **MADHYA PRADESH CONSULTANCY ORGANIZATION LTD**

It is a technical and management consultancy organization. This organization is promoted by All-India Financial Institutions and State Corporations to undertake assignments for project planning, detailed engineering, market surveys, management services and EDPs.

It conducts EDPs for four target groups:

- a) Technical graduate
- b) Unemployed graduate
- c) Scheduled Castes and scheduled tribes
- d) Women

The program consists of:

- i. Explore of industrial opportunities in the target area
- ii. Promoting the programme to attract applicants
- iii. Selection of the participants
- iv. Training, lectures, and practical instructions in the identified project
- v. Follow -up with industrial development and financial institutions

➤ **CALCUTTA “Y” SELF EMPLOYMENT CENTRE (CYSEC)**

This Centre was organized as a registered society by a number of prominent industrialists, businessmen, bankers, professionals and social workers. It began as a vocational programme for providing self-employment to educated youth with vocational training and help in establishing their own business. The program consists of the following:

- i. Training in Productive Enterprise
- ii. Assistance In Drawing up Business Plan
- iii. Assistance in Securing Bank Loan
- iv. Arranging Business contact for their service and production

➤ **ROLE OF DEVELOPMENT BANKS**

Development Banks play a very important role in EDPs. They provide important inputs like finance and development assistance. IFCI, ICICI and IDBI are operating at the all India level where SFC and SIDC are working at the state levels. These development banks take special interest in promoting entrepreneurship especially in rural and backward areas. These institutions also provide direct support to various institutions like TCOs, EDII, STEPs.

➤ **ROLE OF COMMERCIAL BANKS**

State Bank of India was the only commercial bank which provided a comprehensive programme for entrepreneurship development. The bank recognized the importance of small-scale industries in industrial development and started financing small scale industries on a large scale. A special package of schemes and programmes was formulated by the bank to meet the specific needs of this sector.

➤ **ROLE OF NATIONAL ALLIANCE OF YOUNG ENTREPRENEURS (NAYE)**

NAYE has been a pioneer in promotion and development of entrepreneurship among women.

NAYE assists women entrepreneurs in:

1. Getting better access to capital, infrastructure, and markets
2. Development of management and production capabilities
3. Identifying Investment opportunities
4. Attending to problems by taking up individual cases with appropriate authorities
5. Sponsoring delegations, participation in trade fairs, exhibitions, buyer-seller meets etc.
6. Organizing seminars, workshops and training programmes for giving them wider exposure to available facilities and developing their entrepreneurial capabilities.
7. Lobbying for them in Press, parliament, state legislatures and other forums
8. Advocating effectively for securing their rightful place in Indian economy

---

## **4.8 PROBLEMS FACED BY ENTREPRENEUR DEVELOPMENT PROGRAMMES**

---

- i. Lack of national level policy: The government has failed to formulate and enforce a clear and comprehensive national level policy on entrepreneur in India. Because of that the entrepreneurship development programmes faced many problems at the time of their organization.
- ii. Difficulty in pre-training phase: There are large number of problems in the phase such as identification of business opportunities, finding and locating target group, selection of trained and trainers etc.
- iii. Over estimation of trainees: Training agencies overestimate the aptitude and capabilities of the educated youth. General assumption is made that trainees have aptitude for self-employment and training will motivate them and enable them in setting up and management of their enterprise.

- iv. **Duration of EDPs:** The duration period of these EDPs varies from 4 to 6 weeks which is too short a period to instill basic managerial skills in the entrepreneurs.
- v. **Lack of standardization:** The course content of EDPs is not standardized. So, the proper learning could not take place.
- vi. **Inadequacy of infrastructure facility:** These programmes are conducted in the rural and backward areas. In that area there are many problems regarding class rooms, guest speaker, boarding and lodging etc.
- vii. **Lack of competent management or faculty:** There is problem of non-availability of competent faculty who could give proper training to entrepreneurs. Even the available faculty is not properly competent.
- viii. **Faulty Selection procedure:** There is no uniform procedure adopted by various agencies for the identification and selection of prospective entrepreneurs.
- ix. **Poor Response of Banks and financial institutions:** Financial institutes are not ready to finance the newly entrants as the person with entrepreneurial spirits. They impose various conditions for the grant of loan.

---

## 4.9 SUGGESTIONS

---

Following are the suggestion recommended to make the EDPs successful and effective:

- i. **Policy at the national level:** A clear cut policy should be formulated by government at national level for the promotion and sponsoring of EDPs. The various supporting agencies like banks and financial institutions must be encouraged to promote entrepreneurship.
- ii. **Model Based EDPs:** Entrepreneurial Development is an area where there is not ready-made solution available. The agency undertaking an EDP is expected to have in-depth study of the demand pattern and availability of resources.
- iii. **Designing a viable project:** The organizers should develop and design such projects which are feasible in terms of available resources and market potential. All arrangements should be made so that they can able to get updated and modern facilities required for the viable projects.
- iv. **Specific course of action:** there should be clarity of specific course of action to agencies conducting EDPs. Course content should be standardized, and accountability must be fixed and feedback system should be introduced for further improvements.

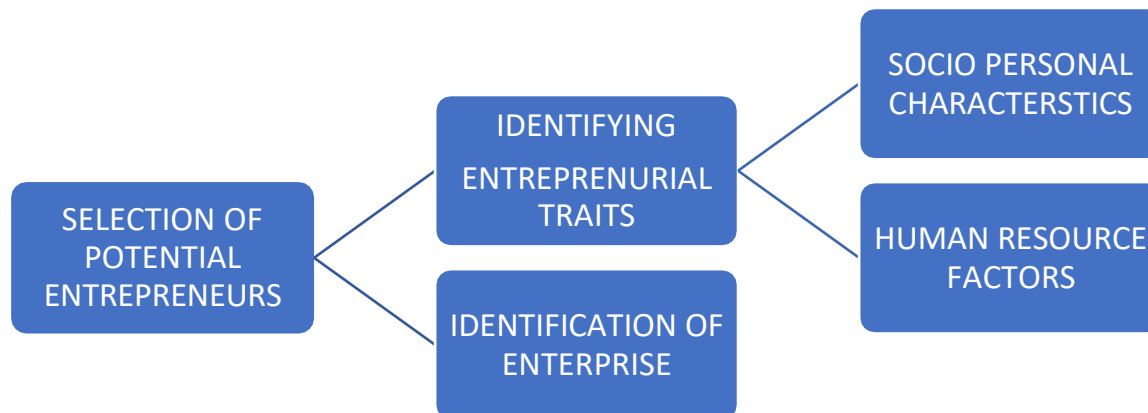


- v. **Selection of trainees:** There should be proper procedure to select trainees. Those persons should be selected who have real aptitude for self-employment because wrong selection of trainees results in wastage of efforts, money and other resources.
- vi. **Competent Trainers:** Competent trainers should be selected for EDPs. They should be committed, competent and qualified. They should be having updated knowledge about the recent trends.
- vii. **Duration of EDPs:** the duration of EDPs should be increased to three to six months because it involves a series of activities involving identification of potential entrepreneurs providing them with required training. In most of the cases, the period of four to six weeks prove too short.
- viii. **Organizing Part time programmes:** Part time EDPs can be conducted at the weekends or in the evening. They can provide opportunities to those persons who are working somewhere else and can not join any regular EDP.

---

#### 4.10 SELECTION OF POTENTIAL ENTREPRENEURS FOR EDPS

---



Selection of potential entrepreneurs has two essential components.

- A. Identifying Entrepreneurial traits
- B. Identification of enterprise

## **A. IDENTIFYING ENTREPRENEURIAL TRAITS**

Each participant must have a minimum level of eligibility for becoming entrepreneur. The entrepreneurial traits are broadly grouped into two categories:

- a) Socio personal characteristics
- b) Human Resource factors

### **a) SOCIO PERSONAL CHARACTERISTICS**

The socio -personal traits, qualities and competencies of a participant include family background, age, education, size and any type of family, working hands, earning members and social participation.

- i. Family Background: Family background helps in creating entrepreneurial environment and occupational awareness for the entrepreneurs. If an entrepreneur selects a trade which is being carried out in his family, it is obvious that he would more at ease with it.
- ii. Age: Young people are more successful entrepreneurs because the older people are generally reluctant to take risky ventures.
- iii. Educational level: A minimum level of education is essential for a person to be a successful entrepreneur.
- iv. Size and Type of family: The size and type of entrepreneur's family must be considered. A joint family has generally a greater risk bearing capacity as compared to nuclear family.
- v. Working People: A small entrepreneur has generally to depend upon family members as he cannot afford to hire workers
- vi. Social involvement: Social involvement determines the amount of influence of entrepreneur outside his immediate family circle. The success of entrepreneur greatly depends upon the social participation.

### **b) HUMAN RESOURCE FACTORS**

- i. Achievement Motivation: Achievement motivation includes both personal achievement and social achievement. It is the basis of entrepreneurship as entrepreneurs with high achievement need succeed better.
- ii. Willing to take risk: It refers to seeking challenges in one's activity. The person perceiving greater amount

- iii. Personal Capacity: It has been defined as the general sense of adequacy in a person. It shows the potential effectiveness present at the inner level to face success or failure.
- iv. Aspirations: It indicates the goals and aspiration of the entrepreneur. It can be regarded as his prospects and a form of self-motivation.

## **B. IDENTIFICATION OF ENTERPRISE**

When potential entrepreneur is identified, next step is to identify a suitable enterprise. The enterprise or venture must be matched with the potential entrepreneur's capacity, abilities, experience, resources etc.

---

### **4.11 SUMMARY**

---

Entrepreneurial Development Programme (EDP) IS designed to help a person in strengthening and fulfilling his entrepreneurial motives and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. Entrepreneurship plays a very important role in the economic development of a country. EDPs enable entrepreneurs in initiating and sustaining the process of economic development in following ways:

- i. Creation of employment opportunities
- ii. Capital formation
- iii. Balanced regional development
- iv. Use of local resources
- v. Improvement in per capita income
- vi. Improvement in standard of living
- vii. Economic independence
- viii. Preventing Industrial slums
- ix. Reducing Social Tensions

There are three phases of entrepreneurship development programme:

- i. Pre-training phase
- ii. Training phase
- iii. Post training Phase

Many institutions have been set up at all India level and state levels to provide different promoting

services to the existing and new entrepreneurs. Important institutions conducting EDPs in India:

- i. National Institute for Entrepreneurship and Small Business Development (NIESBUD)
- ii. Entrepreneurship Development Institute of India (EDII)
- iii. Science and Technology Entrepreneurship and Parks (STEPS)
- iv. Centre for Entrepreneurship Development
- v. Xavier Institute of Social Services Ranchi
- vi. Technical Consultancy Organizations (TCO)
- vii. Institutes for Entrepreneurship Development
- viii. Calcutta Y self-employment Centre
- ix. Madhya Pradesh Consultancy Organizations Ltd

Selection of potential entrepreneurs has two essential components.

- i. Identifying Entrepreneurial traits
- ii. Identification of enterprise

---

## **4.12 LONG QUESTIONS**

---

1. What do you mean by EDP? Explain the need and relevance of EDPs.
2. Discuss various phases of EDPs.
3. Explain the role of Government in developing entrepreneurship.
4. Explain the functions and objectives of NIESBUD.
5. Describe the role of various institutions in the entrepreneurship development.
6. Explain the role and relevance of entrepreneurship development programme.
7. Explain the need for institutions for entrepreneurship development.
8. What are the major problems in conducting EDPs? Give suitable suggestions to remove these problems.
9. Critically evaluate the working of EDPs.
10. Define EDP. What are the objectives of EDP?

---

## **SHORT QUESTIONS**

---

1. Define EDP.
2. State the objectives of EDPs.
3. What is the concept of entrepreneurial development?
4. What are the different phase of EDPs?

5. What are the objective of NIESBUD?
6. Why we need EDPs?
7. Explain the problems faced in conducting EDPs?
8. Write a note on Xavier Institute of Social Services.
9. Explain the features of Centre For Entrepreneurship Development.
10. Explain the objective of Entrepreneurship Development Institute of India ( EDII)

---

## **EXERCISE**

---

- 1) Explain how EDPs can benefit entrepreneur.
- 2) Conduct a survey on entrepreneurs who have attended various EDPs organized by Government.

---

## **GLOSSARY**

---

1. Attitude: The way that you think or behave
2. Aptitude: Natural Ability or skill
3. Aspirations: A strong desire/longing
4. Capabilities: The power or ability to do something
5. Challenges: Something new and difficult that forces one to make a lot of efforts
6. Competencies: Competencies are the knowledge, skill and other requirement that are needed for someone to perform a job successfully.
7. Conducive Climate: Providing the right conditions for something to happen or exist.
8. Development: The process in which someone or something grows or changes and becomes more advanced
9. EDP- Entrepreneurial Development Programme
10. Motivation: Process of stimulating people to actions to accomplish the goals
11. Motive: A reason for doing something
12. Process: A process is a set of activities that interact to produce a result
13. Proactive: Proactive behavior involves acting in advance of a future situation, rather than just reacting.
14. Training: The process of learning the skill for doing a particular activity or job

---

## **SUGGESTED READINGS**

---

1. Vasant Desai, Dynamics of Entrepreneurial Development and Management, Himalaya Publishing House, Reprint, 2005
2. Dr. M.K. Sehgal, Entrepreneurship Development A Systematic Approach, UDH Publishers & Distributors Pvt Ltd, First Edition, August 2011.
3. David H. Holt, Entrepreneurship New Venture Creation, Prentice Hall of India Private Limited, Reprint ,2006.
4. Dr Manjeet Singh. Gitanjali Jain, Anureet Bhalla, Jaideep Singh, Entrepreneurship and Governance, R.D. Publications, First Edition ,2020.
5. Dr Kusum Lata, Jagroop Singh, Rajandeep Kaur, Entrepreneurship and Governance, Kalyani Publishers, Reprint, 2023.

**BACHELOR OF COMMERCE (HONS.)  
ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)  
SEMESTER - V**

<b>UNIT V: WOMEN ENTREPRENEURSHIP – PROBLEMS FACED, SUGGESTIONS, ROLE OF GOVERNMENT TO PROMOTE WOMEN ENTREPRENEURSHIP</b>
---

**STRUCTURE**

- 5.0 Objectives**
- 5.1 Introduction**
  - 5.1.1 Successful women entrepreneurs**
- 5.2 Concept of women entrepreneur**
  - 5.2.1 Definitions of women entrepreneurs**
  - 5.2.2 Characteristics of women entrepreneurs**
  - 5.2.3 Functions of women entrepreneurs**
  - 5.2.4 Others functions of women entrepreneurs**
- 5.3 Problems faced by women entrepreneurs**
- 5.4 Remedial steps to support women entrepreneurs**
- 5.5 Selection of industry by women entrepreneurs**
- 5.6 Schemes of government for women entrepreneurs**
  - 5.6.1 Other government initiatives**
- 5.7 Let us sum up**
- 5.8 To check the progress**
  - Long answer questions**
  - Multiple Choice Questions**
  - Glossary**
  - Suggested Readings**

## Objectives

After studying the Unit, you would be able to: -

- Understand the concept of Women Entrepreneurship.
- Identify the problems and challenges faced by Women Entrepreneurs.
- Find out the role of government to promote Women Entrepreneurship.
- Outline the suggestions to overcome the challenges faced by Women Entrepreneurs.

### 5.1 INTRODUCTION

Women are people who take on demanding roles to fulfil their own needs and achieve financial independence. In the world of business, women haven't had much of an impact. In a patriarchal society, women in business encounter a variety of challenges. Economic growth must include women since doing so will assure their social and economic advancement as well as the addition of more human resources to bolster the national economy. Parents in traditional Indian society favor male children over female children. Parents destroyed a female child after a pregnancy test revealed there was one. They have a variety of justifications for not wanting a female child. Parents in several industrialized nations, including India, believed that most women's careers were limited to marriage. They oppose our daughter becoming an entrepreneur in any way. They have a variety of justifications for not conducting any business. Parents have already made decisions regarding a woman's career choice, including teaching, medicine, and office work.

The goal of feminism is not to empower women. It's time to alter how the world views women's strength; they are already stronger.

Women's empowerment refers to giving women the freedom to make their own decisions on both their social and personal growth. When a woman advocates for herself, she also advocates for society to alter to accommodate the changes brought about by women. Developing women's entrepreneurship is the best strategy for empowering women. The role of women has improved significantly during the last few years. Many women are entering the workforce to earn more money. For India to develop economically, socially, and culturally, it needs more female entrepreneurs. Better financial access has been made available, especially for women in India, to support this growth. For women to start various types of businesses, the Indian government has developed several training and development as well as employment generation programmes.



Promotional and regulatory organizations, both public and private, have stepped forward to encourage the advancement of women entrepreneurs in India. To encourage women to actively engage in entrepreneurial activities, a friendly environment is developed.

### 5.1.1 Successful Women Entrepreneurs

Women are becoming more prevalent in business, which has changed how the nation's economy and business environment are developing. Women business owners are increasingly encouraging others and expanding employment prospects across the nation. Women encountered a long range of issues while they conducted business due to the rising number of competitors. Many female business owners have succeeded in doing so while inspiring others to do the same. Here are a few examples of successful women business owners:

- a) **Kalpana Siraj:** She is regarded as India's first female entrepreneur. She was raised by a Dalit family and was born in a hamlet in Maharashtra. Freedom was quite difficult to come by at that period, and child marriage was very prevalent. Girls were married off at a young age because they were viewed as a burden at that time. She married at the young age of 12, but her in-laws treated her like a slave, and as a result, she was later taken back. She attempted suicide because of social pressure, but her family intervened and saved her. After that, she makes a huge life decision. She had heard on the radio that the government had given Dalits loans that they could use to become women entrepreneur.
- b) **Kripa Dharmaraj:** Kripa Dharmaraj has worn various hats during her career, from CEO to homemaker to IT specialist. Every day for the past seven years, Kripa has served more than 1 billion lunchboxes as part of her company, MCs Lunchbox. The team of more than 50 people was assembled by Kripa and her husband to launch this firm. She set up a "green canteen" for numerous schools in Chennai throughout the years to provide kids meals with balanced diets and described her company to them.
- c) **Falguni Nayer:** She founded Nykaa and serves as its CEO. She established a retail empire for beauty and fashion in India, with 68 outlets and a portfolio of more than 1500 products, including her own private label.

Women can choose to become successful entrepreneurs and have successful careers, but they all experience difficulties in their daily lives.

## **5.2 Concept of Women Entrepreneur**

A woman entrepreneur is defined as a person who initiates, adopts, and discovers new business concepts and ideas. A woman entrepreneur is one who has completed every step of starting a business. The role of women has improved significantly during the last few years. Many women are entering the workforce to earn more money. For India to develop economically, socially, and culturally, it needs more female entrepreneurs. Better financial access has been made available, especially for women in India, to support this growth.

For women to start various types of businesses, the Indian government has developed several training and development as well as employment generation programmes. Promotional and regulatory organizations, both public and private, have stepped forward to encourage the advancement of women entrepreneurs in India. To encourage women to actively engage in entrepreneurial activities, a friendly environment is developed.

### **5.2.1 Definitions of women entrepreneurs:**

Women entrepreneurship has been defined by various authors in different perspective and here we discuss some of these:

**According to Government of India,** “A woman entrepreneur is defined as an enterprise owned and controlled by a woman and having a minimum financial interest of 51% of the employment generated in the enterprise to woman”.

**According to J. Schumpeter,** “Woman who innovates, imitates or adopts a business activity is called woman entrepreneur.”

**According to Frederick Harbison,** “Any woman or group of women which innovates, imitates, or adapts an economic activity may be called woman entrepreneurship.”

The term woman entrepreneur signifies that section of female population who started out into industrial activities that is manufacturing, assembling, job works, repairs or servicing and other enterprises.

### **5.2.2 Characteristics of Women Entrepreneurs**

- a) According to definitions provided by various academics, the following traits have been determined:
- b) The primary characteristic of a woman entrepreneur is a woman who supervises and oversees the entire business of the enterprise.
- c) A woman entrepreneur needs to be a strong leader.

- d) A woman entrepreneur approaches every challenge and unknown with confidence.
- e) In all areas such as land, labour, and money, a woman entrepreneur is regarded as a strong organizer, coordinator, and manager. She can control all socially relevant production factors and distribute finished goods.
- f) A woman business owner is self-assured. She needs to believe in her strengths and in herself. She is confident in her ability to accomplish change and deal with any resistance to it.
- g) Women make wise decisions. Therefore, it is considered that she makes wise business decisions in her capacity as an entrepreneur. She needs to be transparent about how she makes decisions.
- h) A woman entrepreneur is someone who can come up with new ideas, use those ideas to launch a business, and use that firm to offer new value to society.
- i) A woman entrepreneur is prepared to put in long hours. She adheres to the tenet that success comes from hard work.
- j) A woman business owner derives her achievement orientation. She can overcome obstacles and succeed.
- k) A female business owner needs to have optimism. Her upbeat or cheerful outlook may contribute to a positive work environment for her company.
- l) A woman entrepreneur needs technological expertise.
- m) A woman entrepreneur must have confidence in her own abilities to succeed and face challenges with courage.
- n) A woman entrepreneur needs to be mentally stable. She needs to make clear her goals and objectives.

### **5.2.3 Functions of Women Entrepreneur**

Like a male entrepreneur, a woman entrepreneur must perform the following function:

#### **Entrepreneurial functions**

- a) Innovation: A woman's primary role in business is innovation. She needs to come up with fresh concepts, start new businesses and industries, find better sources of funding, and organize the industrial sector more effectively.
- b) Taking risks: A woman entrepreneur should be willing to take risks. This is yet another entrepreneurial-related innovation function. There is some risk involved whenever an innovation is made. A woman entrepreneur should therefore consider prospects for presenting

novel concepts and learn to manage uncertainty.

- c) Establishing an effective organization: A woman entrepreneur alone determines the direction of business growth and expansion, how to use capital, and how to establish an effective organization.

### **Promotional functions**

- a) Find a new idea: A woman entrepreneur imagines a new idea for her company to raise additional funding and launch a new endeavor.
- b) Thorough study: After obtaining a thorough inquiry from all angles, she will consider setting up financing for the new businesses.
- c) Compiling the requirements: A woman entrepreneur contacts raw material suppliers, decides the plant and machinery, and canvasses potential locations for a factory.
- d) Funding the proposition: The female entrepreneur will project the amount of money needed for her business, the expected short-and long-term financial requirements.

### **Managerial Functions**

- a) **Planning:** Planning is the act of thinking forward or before acting. What to do, when to do it, how to do it, and who will do it are decisions that are made in advance. Planning is a procedure that requires the woman entrepreneur to think or be in a certain frame of mind. She will consider a task before starting it.
- b) **Organizing:** A woman business owner also performs the organizing task of arranging, directing, coordinating, controlling, and overseeing the work of men, materials, money, and machinery to achieve the objectives of the company.
- c) **Staffing:** A woman entrepreneur is required to fulfil the staffing function, which includes planning for human resources, hiring, vetting, training, placing personnel, developing personnel, promoting personnel, transferring personnel, and deciding on employee compensation.
- d) **Directing:** Concerned with managerial duties is directing. Employees should carry out group activities under the guidance of planned actions.
- e) **Leadership:** A woman business owner should possess leadership abilities. A woman should set a good example for her staff members so that they have confidence in her ability to lead the organization to success. She needs to have the capacity to inspire motivation if she is to be an effective leader.

- f) **Motivation:** Women business owners encourage their staff to work towards company goals by offering incentives and conducting employee surveys.
- g) **Supervision:** Women business owners should aspire for supervision. To supervise implies to keep an eye on one's workers and give them guidance on how to accomplish their objectives. If any employee is found to be working, the female business owner should discipline them.
- h) **Controlling:** Another managerial task is controlling. A woman entrepreneur can execute her rules and regulations and take remedial action if performance is below par with the help of control processes.
- i) **Coordination:** Another crucial managerial duty is coordination. Coordination inspires teamwork and aids in the achievement of objectives through joint efforts.

### **Commercial Functions**

- a) **Production:** A woman's primary role as an entrepreneur is in production. Manufacturing and consulting tasks are included in this function.
- b) **Personnel:** People and employees can assist a woman entrepreneur in achieving her objectives. Coordination among the workforce allows for organizational growth.
- c) **Finance:** Women entrepreneurs can accomplish goals with the aid of their financial functions. There is a constant demand for money. It deals with determining capital structure, choosing a source of funding, calculating financial requirements, good cash management, etc.

### **5.2.4 Others Functions of Women Entrepreneur**

- a) There are also the following additional functions.
- b) Examining the potential for launching a new business
- c) Managing business-related economic concerns.
- d) Implementation of business innovations.
- e) A disciplined lady in business
- f) Manage risk and make wise decisions to grow her company.
- g) Encourage employees to feel confident.
- h) Knowledge of innovative technology
- i) Executing appropriate and regular oversight
- j) Setting up a reliable source of funding.

- k) Timely management of productive elements.

### **5.3 Problems Faced by Women Entrepreneurs**

When attempting to grow their businesses, women entrepreneurs confront numerous challenges.

The following are the key issues that women business owners face:

- a) Family obligations: This is the issue that affects women the most frequently. They must spend more time with their loved ones and friends. Women are not encouraged to travel the globe in search of opportunities for advancements.
- b) Education deficiency: Women are typically denied access to higher education, particularly in rural areas in developing nations. Women are not permitted to expand their technical and research expertise to introduce new items.
- c) Role conflict: In Indian society, marriage and family are valued more highly than careers. Instead of going outside for employment, women are expected to be good housewives and take care of their families.
- d) Insufficient funding: Family members do not support female entrepreneurs. They are hesitant to make financial commitments to a female-owned business. Banks and other financial institutions were likewise reluctant to offer financial assistance to women.
- e) Lack of knowledge: Most female business owners are unaware of the grants and incentives that are available to them. They could be unable to take advantage of the specific strategies due to ignorance.
- f) Tough competition: Women fight against men, but because of their reduced mobility, they have a hard time keeping up.
- g) Lack of raw materials: One of the major issues a woman entrepreneur faces is a lack of the necessary materials. Obtaining the necessary raw materials for production in adequate quantity and quality is a challenge for women business owners.
- h) Limited managerial expertise: Due to her gender, she might not be an expert in all managerial tasks. She was unable to devote her time to a variety of pursuits.
- i) Inability to take risks: A woman's limited ability to deal with uncertainty prevents her from ever taking a risk. Lack of infrastructure and slowness in making rapid judgements are to blame for this issue.
- j) High production costs are another issue that women business owners must deal with. Efficiency must be improved to lower high production costs. As a result, it raises the cost

of production.

#### **5.4 Remedial Steps to Support Women Entrepreneurs**

The following actions could be taken to address the issues Indian women business owners are now facing:

- a) Promotional support: To help entrepreneurs advance more in their fields, government and non-governmental organizations must offer them support in both financial and non-financial sectors.
- b) Training: They need to receive training to properly operate and manage a firm. Women who are still hesitant to pursue entrepreneurship must receive training.
- c) Finance: One of the biggest issues facing female entrepreneurs is money. Family and governmental institutions should be generous in their financial support to them.
- d) Family support: Families should promote and support female business owners in starting and running successful businesses. Support from the family encourages women to take risks and compete in the economic sector, which is dominated by men.
- e) Concessional rates of interest: Financing should be made available to female entrepreneurs at favorable rates.
- f) Appropriate raw material supply: To make products affordable and available to female entrepreneurs at the appropriate moment.
- g) Changing social attitudes: A society should be forced to alter its perception of female entrepreneurs. Female children should get parental assistance to develop into successful businesswomen.
- h) Establishing marketing cooperatives: Women should have the potential to establish and run profitable economic operations, so that they may accomplish their objectives. If more women enter that field, the economy will benefit and perhaps even create jobs.

#### **5.5 Selection of Industry by Women Entrepreneur**

The kind of business a woman entrepreneur can start relies on her upbringing, education, interests, outlook, skills, and the state of the local economy. The availability of money, raw materials, labour, local people's demand, power, and other aspects are also important to consider. The following industries are suggested for women entrepreneurs by the **Small Industry Service Institute (SISI)**:

- a) Pickle, Papad, handicrafts, packaging, stationery, bed sheets, and other products are produced and manufactured.

- b) Establishing facilities for office maintenance under contract, catering, embroidery, tutorial classes, stenography, and other services.
- c) Stores that sell pre-made clothing, groceries, drugs, snack bars, soft drinks, florists, etc.
- d) Running childcare facilities, photo studios, dry cleaners, travel companies, and other businesses.

The government offers women business owners a variety of forms of aid for managing small businesses, including:

- a) Giving women entrepreneur's financial support in the form of credit for fixed and operating capital.
- b) Offering the training they need to launch their own small businesses.
- c) Helping with promotional tasks including project report creation, registration, and licensing, among others.
- d) Giving women entrepreneurs the appropriate training, they need to succeed.
- e) Offering support with marketing.

## **5.6 Schemes of Government for Women Entrepreneurs**

The role of women has improved significantly during the last few years. Many women are entering the workforce to earn more money. For India to develop economically, socially, and culturally, it needs more female entrepreneurs. Better financial access has been made available, especially for women in India, to support this growth. For women to start various types of businesses, the Indian government has developed several training and development as well as employment generation programmes. Promotional and regulatory organizations, both public and private, have stepped forward to encourage the advancement of women entrepreneurs in India. To encourage women to actively engage in entrepreneurial activities, a friendly environment is developed.

The government has introduced a number of initiatives for female entrepreneurs, including the following:

### **Mudra Yojna Scheme**

For women who want to start new businesses or expand their existing ones, the government has created the Mudra Yojna scheme. This plan can be beneficial for start-up business owners. The government offers loans between Rs. 50k and Rs. 100k through this programme. This plan is ideal for home-based or small companies like salons. The three categories of this plan are as follows:

- Kishore Loans up to 50k/-



- Shishu Loans above 50k/- and up to 500k/-
- Tarun Loans over 500k/- and up to 10 lacs.

The fact that no collateral or guarantors are required for this loan is a crucial aspect to remember.

### **Dena Shakti Scheme**

Under this programme, the government offers loans to Women Company owners in a number of industries, including agriculture, education, retail, housing, and microenterprises.

The maximum loan amount under this scheme is Rs. 20 lacs, and the interest rate is 0.25% less than the base rate, if any women are going to start any of the businesses. Entrepreneurs who wish to apply for this financing must complete the application and provide the necessary supporting documentation. Under this programme, obtaining a loan is relatively simple.

### **Udyogini Scheme**

Under this programme, a woman from a low-income family can start a business. There are no loan eligibility limits with this programme. A lady is eligible for a loan up to Rs. 3 lacs at a reasonable interest rate. This plan can assist a woman in starting a business or other enterprise or in becoming independent. The Karnataka State Women Development Programme initiated this programme in the beginning. This plan has been adopted by numerous financial institutions with various modifications. Anyone can apply for this programme and receive simple loans online.

### **Cent Kalyani Scheme**

This programme is for people who want to start small businesses. The Central Bank of India has introduced this programme for female entrepreneurs. Any woman may apply for a loan under this programme up to Rs. 100 lacs. There are no processing charges or collateral in this arrangement.

### **Mahila Udyam Nidhi Scheme**

The Punjab National Bank created this programme to help small businesses. This program's primary goal is to support small businesses by offering cutting-edge technology. These loans come with no hassles.

### **Women Entrepreneurship Platform**

A programme dubbed the Women Entrepreneurship Platform, launched by NITI Aayog, supports women in starting their own businesses. This programme is for aspiring female entrepreneurs. This programme aims to educate women who wish to create their own businesses about the regulations, how to raise money and seek financial aid, as well as provide them with a network of other women who share their viewpoints.

### **Stree Shakti Package**

This programme is provided by all branches of State Bank of India, and its primary objective is to lend money to women-owned businesses. The fact that there is no collateral for loans up to Rs. 5 lac is one of the largest advantages for women. Women are eligible for several bank incentives and loans of up to Rs. 2 lacs or more are possible.

### **Annapurna Scheme**

Under this programme, the government offers loans to female business owners of up to Rs. 50k. This programme is aimed at helping women start agricultural businesses. The Mysore State Bank and the Bhartiya Mahala Bank are the first to introduce this programme. The loan amount has been repaid in 36 monthly installments at the market interest rate. In this situation, a guarantor is required in addition to the business's assets being pledged as collateral security.

### **Orient Mahila Vikas Yojna Scheme**

Oriental Bank of Commerce has introduced this programme for female business owners who own 51% of the equity in a company, either individually or jointly. This programme offers small-scale businesses owned by women entrepreneurs' loans ranging from Rs. 10 lacs to Rs. 25 lacs. No collateral security is required. The loan has a 7-year repayment period and a 2% interest rate.

### **Pradhan Mantri Mudra Yojna**

The Indian government introduced this programme in 2015 specifically for female entrepreneurs. Through this programme, female entrepreneurs are given financial assistance to launch their own businesses. It supports the advancement of women throughout the nation. Under this programme, numerous financial institutions have provided Mudra loans.

## **5.6.1 Other Government Initiatives for Growth of Women Entrepreneurship**

The government runs a number of schemes to support female entrepreneurs, including:

### **Steps Taken in Seventh Five-Year Plan:**

The Indian government established a specific chapter on the inclusion of women in development and made the following recommendations:

- a) Using the proper technology, tools, and procedures, efforts should be made to boost their productivity.
- b) It was proposed in this plan to offer the necessary assistance for marketing the goods created by women entrepreneurs.
- c) It was advised that new facilities for women's vocational training be set up to accommodate

their evolving demands and abilities.

- d) It was advised that women be treated as specific target groups in all the nation's key development initiatives.
- e) It was recommended that women be included in the decision-making process.

### **Steps Taken by Government during Eighth Five-Year Plan:**

In order to enhance employment and income-generating activities for women in rural regions, the Indian government revised special programmes. The eighth five-year plan saw the commencement of numerous initiatives, including:

- a) The Prime Minister Rojgar Yojna and EDPs were implemented to encourage rural women to be more entrepreneurial.
- b) To create work prospects for women in rural areas, KVIC made initiatives.
- c) To assist women working in gro-based industries including dairy farming, poultry farming, animal husbandry, horticulture, etc., women cooperative schemes were established.
- d) The government launched several other programmes to reduce poverty, including ones that trained rural youth for self-employment and gave women a reservation under these programmes.

### **Steps Taken by the Government during Ninth Five-Year Plan:**

- a) The government established the Swarn Jayanti Gramme Swarozgar Yojna and the Swaran Jayanti Sehkari Rozgar Yojna to support female entrepreneurs.
- b) The State Industrial and Development Bank of India was established to support female business owners.
- c) The Ministry of Small Industries launched a trade-related entrepreneurship assistance and development programme to support the growth of women entrepreneurs in rural, semi-urban, and urban areas.
- d) The government has established a unique policy to support female business owners.
- e) The government unveiled a brand-new initiative called women development corporations, which will assist in setting up credit facilities.

The Chamber of Women Entrepreneurs of India offers a number of forums for women business owners to create cutting-edge methods for marketing, financing, and production. There are numerous groups, boards, and organizations that support female entrepreneurs in both urban and rural locations. Women entrepreneurs were given access to training programmes or plans to help

them create their own businesses. Rashtriya Mahila Kosh was established in 1963 to offer grants to female entrepreneurs at the lowest rate of interest for the smallest cost. SIDBI created this fund to support the growth of women entrepreneurs, particularly in rural areas. With the help of financing from Mahila Vikas Nidhi, women can start businesses in industries like spinning, weaving, knitting, embroidery items, block printing, handlooms, handicrafts, and bamboo.

### **5.7 Let Us Sum Up**

Women's business ownership was crucial to the stability and growth of any nation's economy. Women who start businesses are an inspiration to other women. This will result in more jobs being created for women, which eventually contributes to closing the gender gap that exists in the workforce of any nation. A successful lady exudes feminine confidence and is eager to develop. She has maintained equilibrium in every facet of her existence.

### **5.8 To Check the Progress**

#### **Long Answer Questions**

- a) Define a woman entrepreneur. What are the functions of a woman entrepreneur?
- b) Explain women entrepreneurs. Discuss the important characteristics of woman entrepreneur.
- c) Discuss the problems faced by women entrepreneurs. What are the steps taken by the government to solve these problems?

#### **Short Answer Questions and Answers**

- a) Define entrepreneur.
- b) What are the main features of woman entrepreneur?
- c) Explain promotional functions.
- d) Explain managerial functions?
- e) Explain entrepreneurial functions?
- f) Discuss problems faced by women entrepreneurs.
- g) Motivational factors behind women entrepreneurs.
- a) What are the various steps taken by government of India to promote women entrepreneurs?
- h) Highlight the examples of some successful women entrepreneurs.

#### **Multiple Choice Questions**

- a) Which of the following areas are preferred by women entrepreneurs?

- A. Administration
- B. Organization
- C. Utilities
- D. Manufacturing

**Answer (A)**

- b) A typical Inventor is usually.....
- A. Highly creative & in love with the invention
  - B. Does not encourage change.
  - C. Willing to modify the invention.
  - D. Not enthusiastic

**Answer (A)**

- (c) An individual who initiates, creates and manages a new business can be called
- A. A leader
  - B. A manager
  - C. A professional
  - D. An entrepreneur

**Answer (D)**

- d) .....implies the availability or otherwise of plant and machinery and technical know-how to produce the product,
- A. Economic viability.
  - B. Financial feasibility.
  - C. Technical feasibility.
  - D. Managerial competence

**Answer (C)**

## **Glossary**

### **Dena Shakti Scheme**

Under this programme, the government offers loans to Women Company owners in a number of industries, including agriculture, education, retail, housing, and microenterprises. The maximum

loan amount under this scheme is Rs. 20 lacs, and the interest rate is 0.25% less than the base rate, if any women are going to start any of the businesses.

### **Udyogini Scheme**

Under this programme, a woman from a low-income family can start a business. There are no loan eligibility limits with this programme. A lady is eligible for a loan up to Rs. 3 lacs at a reasonable interest rate.

### **Cent Kalyani Scheme**

This programme is for people who want to start small businesses. The Central Bank of India has introduced this programme for female entrepreneurs. Any woman may apply for a loan under this programme up to Rs. 100 lacs. There are no processing charges or collateral in this arrangement.

### **Mahila Udyam Nidhi Scheme**

The Punjab National Bank created this programme to help small businesses. This program's primary goal is to support small businesses by offering cutting-edge technology.

### **Women Entrepreneurship Platform**

A programme dubbed the Women Entrepreneurship Platform, launched by NITI Aayog, supports women in starting their own businesses. This programme is for aspiring female entrepreneurs. This programme aims to educate women who wish to create their own businesses about the regulations, how to raise money and seek financial aid, as well as provide them with a network of other women who share their viewpoints.

### **Stree Shakti Package**

This programme is provided by all branches of State Bank of India, and its primary objective is to lend money to women-owned businesses. The fact that there is no collateral for loans up to Rs. 5 lac is one of the largest advantages for women. Women are eligible for several bank incentives and loans of up to Rs. 2 lacs or more are possible.

### **Annapurna Scheme**

Under this programme, the government offers loans to female business owners of up to Rs. 50k. This programme is aimed at helping women start agricultural businesses. The Mysore State Bank and the Bhartiya Mahala Bank are the first to introduce this programme. The loan amount has been repaid in 36 monthly installments at the market interest rate. In this situation, a guarantor is required in addition to the business's assets being pledged as collateral security.

### **Suggested Readings**

1. Poornima M. Charantimathv (2006) “Entrepreneurship Development and Small Business Enterprises”, Dorling Kindersley (India) Pvt. Ltd, New Delhi.
2. Sanjay, Anshuja Tiwari (2007) “Entrepreneurship Development in India”, Sarup & Sons Publications, New Delhi.
3. Ramachandran (2009) “Entrepreneurship Development”, Tata McGraw –Hill Education Pvt. Ltd. New Delhi.
4. Pawan Kumar Sharma (1991) “Development banks and Entrepreneurship promotion in India”, Mittal publications, New Delhi.
5. C.P. Yadav (2000) “Encyclopedia of Entrepreneurship Development”, Anmol Publications, New Delhi.

**BACHELOR OF COMMERCE (HONS.) ENTREPRENEURSHIP  
DEVELOPMENT (GENERAL ELECTIVE COURSE)**

**SEMESTER - V**

**UNIT VI MSME DEFINITION, REGISTRATION PROCESS AND ITS PROCEDURE,  
BENEFITS OF REGISTRATION, TAX CONSIDERATIONS, MSME EXEMPTIONS**

**STRUCTURES**

**6.1 MSME Definition**

**6.1.1 Meaning & Introduction of Enterprise**

**6.1.2 Key Components**

**6.1.3 MSME- Key Features**

**6.2 Registration Process and Its Procedure**

**6.3 Benefits of Registration**

**6.3.1 Advantages**

**6.3.2 Tax Related Benefits**

**6.4 MSME Exemptions**

**6.4.1 Exemptions Provided By Government to MSMEs**

**6.5. Answer to Check Your Progress**

**Short Answer Type Questions**

**Long Answer Type Questions**

**Glossary**

**References**



## 6.1 MSME Definition

"Enterprise" typically refers to a large and complex organization or business entity engaged in commercial, industrial, or professional activities. It often involves multiple departments, employees, and various operations aimed at generating profit or achieving specific goals.

Certainly! An enterprise is a multifaceted and organized entity that engages in various economic activities with the intention of generating revenue and achieving specific objectives. Here are some key aspects of what an enterprise entails:

1. **Size and Complexity:** An enterprise is generally a large-scale organization with a significant number of employees, departments, and functional areas. It can span across different geographic locations and operate in diverse markets.
2. **Business Activities:** Enterprises can engage in a wide range of activities, such as manufacturing, distribution, marketing, sales, research and development, customer support, and more. These activities collectively contribute to the production and delivery of goods and services.
3. **Structure:** Enterprises have a hierarchical structure comprising different levels of management, including top-level executives, middle managers, and front-line supervisors. This structure helps in coordinating and managing the various operations.
4. **Employees:** Enterprises employ a considerable number of people who work in different capacities, from entry-level positions to highly specialized roles. Effective management of human resources is crucial for the enterprise's success.
5. **Goals and Objectives:** Enterprises set specific goals and objectives to guide their operations. These goals could range from financial targets (such as revenue and profit growth) to non-financial objectives (such as market share expansion or innovation).
6. **Profit Motive:** While some enterprises, such as non-profit organizations, focus on social or charitable goals, most enterprises are profit-driven. They aim to generate revenue that exceeds their expenses and investments.
7. **Risk and Uncertainty:** Enterprises operate in dynamic and competitive environments, facing risks such as changes in market conditions, technological advancements, regulatory shifts, and economic fluctuations. Managing and mitigating these risks is essential.
8. **Resources and Assets:** Enterprises require various resources and assets to operate, including financial capital, physical infrastructure, technology, intellectual property, and skilled personnel.

9. **Customer Focus:** Successful enterprises prioritize their customers and strive to meet their needs and preferences. Customer satisfaction is often a critical factor in maintaining a competitive advantage.

10. **Innovation and Adaptation:** Enterprises need to innovate and adapt to changing market trends and technologies to remain relevant and competitive. Innovation can lead to the development of new products, services, and business models.

11. **Governance and Compliance:** Enterprises must adhere to legal regulations and industry standards that govern their operations. Compliance ensures ethical behavior, sustainability, and accountability.

12. **Market Presence:** Enterprises often strive to establish a strong market presence and brand identity. A positive brand image can enhance customer trust and loyalty.

Overall, an enterprise represents a comprehensive and interconnected system that brings together people, resources, and strategies to create value and achieve its defined goals within a competitive business landscape.

### **MSME stands for Micro, Small, and Medium Enterprises.**

It is a classification system used in many countries to categorize and define businesses based on their size and annual turnover. The classification criteria may vary from country to country, but here's a general overview:

1. **Micro Enterprises:** These are the smallest businesses, typically having a very small number of employees (often fewer than 10) and low investment in plant and machinery. They are often characterized by their local nature and limited scale of operations.

2. **Small Enterprises:** Small businesses are slightly larger than micro enterprises. They usually have more employees (up to around 50) and higher investments in plant and machinery compared to micro enterprises. They might have a wider reach and serve a larger market.

3. **Medium Enterprises:** Medium-sized businesses are larger than small enterprises but smaller than large corporations. They have a higher number of employees (typically up to 250) and a significantly larger investment in plant and machinery. Medium enterprises might have a broader geographic presence and more diverse operations.

The classification of MSMEs is important because it allows governments and organizations to provide targeted support and incentives to businesses based on their size. These supports could include access to funding, preferential treatment in government contracts, and specific policies

tailored to their needs. MSMEs play a crucial role in economies as they contribute to job creation, innovation, and economic growth.

It's important to note that the specific criteria for classifying businesses as micro, small, or medium enterprises can vary between countries, and these definitions might also evolve over time.

Micro, Small, and Medium Enterprises (MSMEs) share several common features that distinguish them from larger corporations. **Here are some key features of MSMEs:**

1. **Size:** MSMEs are characterized by their relatively small size in terms of the number of employees and the scale of operations. The exact size criteria can vary from country to country, but they generally have fewer employees and lower levels of investment in comparison to larger enterprises.
2. **Local Focus:** Many MSMEs tend to have a local or regional focus, serving a specific market or community. They may cater to the needs of a particular area rather than having a broad national or international presence.
3. **Flexibility:** MSMEs are often more nimble and flexible in responding to changes in the market. Their smaller size allows them to adapt quickly to new trends, customer preferences, and shifts in demand.
4. **Innovation:** Due to their size and relatively simpler organizational structures, MSMEs are often more innovative. They can quickly implement new ideas and solutions, fostering creativity and adapting to technological advancements.
5. **Entrepreneurial Spirit:** Many MSMEs are founded and run by entrepreneurs who are passionate about their business ideas. These entrepreneurs take personal ownership and are closely involved in the day-to-day operations of the enterprise.
6. **Local Employment:** MSMEs play a significant role in creating local employment opportunities. They contribute to reducing unemployment rates by hiring people within their communities.
7. **Community Impact:** MSMEs can have a positive impact on local communities by contributing to economic growth, providing services, and supporting social development initiatives.
8. **Diverse Sectors:** MSMEs operate across a wide range of sectors, including manufacturing, services, retail, agriculture, and more. This diversity reflects the varied interests and expertise of entrepreneurs.
9. **Access to Finance:** MSMEs often face challenges in accessing funding due to their size and perceived higher risk. Governments and financial institutions may provide special initiatives to

support their financing needs.

10. **Technology Adoption:** Many MSMEs are adopting digital tools and technology to improve their operations, expand their customer base, and streamline processes.

11. **Contributions to GDP:** In many economies, MSMEs collectively contribute a significant portion of the Gross Domestic Product (GDP). They form a crucial part of the economic fabric.

12. **Challenges:** MSMEs also face challenges such as limited access to resources, regulatory complexities, and competition from larger enterprises, and fluctuations in market demand. Government policies and initiatives are often aimed at addressing these challenges.

Overall, MSMEs are integral to economic development, job creation, and fostering a culture of entrepreneurship. Their unique features contribute to the vibrancy and diversity of business ecosystems in various countries.

In India, Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economy due to their contributions to employment generation, industrial production, exports, and overall economic growth. The Government of India recognizes the importance of MSMEs and has implemented various policies and initiatives to support and promote their growth. Here are some key points about MSMEs in India:

1. **Definition:** MSMEs in India are classified based on the amount of investment in plant and machinery or equipment for manufacturing units, and based on annual turnover for service enterprises. These criteria were revised in 2020 to align with current economic conditions and are as follows:

- Micro Enterprises: Investment up to INR 1 crore and turnover up to INR 5 crore.
- Small Enterprises: Investment up to INR 10 crore and turnover up to INR 50 crore.
- Medium Enterprises: Investment up to INR 50 crore and turnover up to INR 250 crore.

2. **Contribution to GDP:** MSMEs in India contribute significantly to the country's GDP, employment, and export earnings. They make up a large portion of industrial units and provide employment to a substantial segment of the population.

3. **Employment Generation:** MSMEs are major sources of employment, particularly in rural and semi-urban areas. They play a crucial role in reducing unemployment and providing livelihood opportunities.

4. **Inclusive Growth:** MSMEs contribute to inclusive growth by supporting entrepreneurship and economic activities in diverse sectors, including manufacturing, services, agriculture, and more.

5. **Government Initiatives:** The Government of India has introduced various schemes and initiatives to promote MSME growth. The "Make in India" campaign, the "Startup India" initiative, and the "Stand-Up India" scheme are a few examples.
6. **Credit Access:** MSMEs often face challenges in accessing credit from traditional financial institutions. The government has established the Credit Guarantee Fund Scheme for Micro and Small Enterprises to facilitate better access to credit.
7. **Technology Adoption:** With the rise of digital technologies, many MSMEs in India are adopting e-commerce platforms and digital tools to expand their reach and streamline their operations.
8. **Export Promotion:** MSMEs contribute significantly to India's exports. The government provides various incentives and support measures to encourage MSMEs to explore international market.
9. **Cluster Development:** Cluster-based development is a strategy to enhance the competitiveness of MSMEs. Various industries are grouped together in geographical clusters, allowing them to share resources and expertise.
10. **Ease of Doing Business:** Efforts have been made to simplify regulations and procedures for MSMEs to encourage entrepreneurship and reduce bureaucratic hurdles.
11. **Skill Development:** Skill development programs are implemented to enhance the capabilities of the workforce in MSMEs, leading to improved productivity and competitiveness.
12. **Challenges:** MSMEs in India face challenges such as limited access to finance, technology adoption, skill gaps, and regulatory complexities. The government's initiatives aim to address these challenges.

Overall, MSMEs are a driving force in India's economic landscape. They contribute to job creation, innovation, and inclusive growth, making them an essential component of the country's development journey.

## **6.2 The registration process for Micro, Small, and Medium Enterprises (MSMEs)**

The registration process for Micro, Small, and Medium Enterprises (MSMEs) in India has been streamlined and made digital to facilitate ease of registration. Here's a step-by-step guide to registering an MSME in India:

1. **Visit the Udyam Registration Portal:** The registration process for MSMEs is now done through the Udyam Registration portal (<https://udyamregistration.gov.in/>). Visit this official portal to begin the registration process.

2. **Provide Aadhaar Number:** The registration process requires the Aadhaar number of the owner or authorized signatory of the business. Enter the Aadhaar number to proceed.
3. **Enter Personal Details:** Fill in personal details such as name, gender, category (individual, proprietorship, etc.), and whether you belong to a special category (SC/ST or OBC).
4. **PAN Number:** Enter the Permanent Account Number (PAN) associated with the business. PAN is used for verification purposes.
5. **Enterprise Name and Type:** Enter the name of the enterprise. Also, select the appropriate type of organization (proprietorship, partnership, private limited company, etc.).
6. **Address:** Provide the official address of the enterprise, including district, state, and pin code.
7. **Date of Commencement:** Enter the date on which the business commenced its operations.
8. **Bank Details:** Provide the details of the business's bank account, including the IFSC code.
9. **Main Business Activity:** Choose the main business activity from the National Industrial Classification (NIC) code list. You can select more than one activity if applicable.
10. **Number of Employees:** Specify the number of employees employed in the business.
11. **Investment in Plant and Machinery or Equipment:** Provide the total amount of money invested in plant, machinery, equipment, and other assets.
12. **Udyog Aadhaar Memorandum (UAM):** If you had previously registered under the Udyog Aadhaar Memorandum (UAM) before the Udyam portal was launched, you can enter your UAM number.
13. **Submit Declaration:** Read the declaration carefully and confirm its accuracy.
14. **Verification:** An OTP (One-Time Password) will be sent to your Aadhaar-registered mobile number. Enter the OTP to verify your details.
15. **Registration Certificate:** After successful verification, a registration certificate with a unique Udyam Registration Number (URN) will be issued. This certificate can be downloaded from the portal.

It's important to note that Udyam Registration is free of cost, and there is no need to pay any fee for registration. The entire process is online, and you should avoid intermediaries or agents who may offer assistance for a fee.

Keep in mind that the information provided during registration should be accurate and up-to-date. Also, make sure to periodically update your registration details if there are any changes to your business information.

While the MSME registration process in India has been streamlined to make it more accessible and efficient, there are still certain challenges that individuals and businesses might encounter during the process. **Some of these challenges include:**

1. **Technical Issues:** The online registration portal might experience technical glitches or downtime, which can delay the registration process and frustrate applicants.
2. **Documentation Requirements:** Some applicants might find it challenging to gather and upload the required documents, such as Aadhaar card, PAN card, and other business-related documents.
3. **Aadhaar Verification:** While Aadhaar verification is an essential part of the process, not everyone might have an Aadhaar card, particularly in cases of non-resident business owners or foreign investors.
4. **Complexity of NIC Codes:** Selecting the correct National Industrial Classification (NIC) code that accurately represents the main business activity can be confusing for some applicants, leading to potential errors.
5. **Updating and Correcting Information:** If an applicant needs to update or correct information after registration, navigating the portal to make these changes might not be straightforward.
6. **Lack of Awareness:** Many potential MSMEs might not be aware of the benefits of registration or might not have a clear understanding of the process, hindering them from taking advantage of the opportunity.
7. **Language Barriers:** The registration portal might be available primarily in English, posing a challenge for individuals who are more comfortable with other languages.
8. **Mobile Number Dependency:** The verification process relies on the mobile number linked to the Aadhaar card. If an applicant's mobile number is not updated or accessible, it can create hurdles in the verification process.
9. **Verification Process:** While Aadhaar verification is intended for security, some individuals might have privacy concerns about providing Aadhaar details.
10. **Time-Consuming:** Despite efforts to simplify the process, the registration process might still take some time, particularly for applicants who are less familiar with online procedures.
11. **Access to Documentation:** Some businesses, especially in remote or rural areas, might face challenges in obtaining the necessary documentation for registration.
12. **Digital Literacy:** Not all applicants might be comfortable navigating online platforms, which could slow down the registration process.

It's important to note that while these challenges exist, the government has been making efforts to address them and improve the registration experience for MSMEs. Additionally, seeking assistance from local government offices or reaching out to business associations can help applicants navigate the process more effectively.

Registering as a Micro, Small, and Medium Enterprise (MSME) in India can offer several benefits that contribute to the growth and development of these businesses.

### **6.3 Here are some key advantages of MSME registration:**

- 1. Priority Lending:** Registered MSMEs can avail of priority lending from banks and financial institutions. This means they have easier access to credit, loans, and financial assistance at more favorable terms compared to non-registered entities.
- 2. Collateral-Free Loans:** Under the Credit Guarantee Fund Scheme for Micro and Small Enterprises, registered MSMEs can obtain collateral-free loans, reducing the burden of providing assets as security.
- 3. Subsidized Interest Rates:** Some government schemes provide MSMEs with loans at lower interest rates, reducing the overall cost of borrowing.
- 4. Credit Linked Capital Subsidy Scheme:** This scheme offers a subsidy for technology up gradation, helping MSMEs enhance their production capabilities and competitiveness.
- 5. Protection Against Delayed Payments:** MSMEs can seek relief under the "Micro, Small and Medium Enterprises Development Act, 2006" if their payments are delayed beyond the stipulated period by buyers, providing a safeguard against payment-related issues.
- 6. Market Access and Support:** MSMEs can participate in government tenders reserved exclusively for them, increasing their chances of winning contracts. They also receive support for participation in trade fairs, exhibitions, and marketing events.
- 7. Ease of Doing Business:** MSME registration simplifies various business-related processes, including obtaining licenses, approvals, and permits, making it easier to operate and expand the business.
- 8. Tax Benefits:** Depending on the government's policies, registered MSMEs might be eligible for tax rebates, exemptions, or concessions, reducing their tax liabilities.
- 9. Technology and Skill Development Support:** Registered MSMEs can access government-sponsored programs for technology adoption, skill development, and training, enhancing their



capabilities and efficiency.

10. **Entrepreneurship Development:** MSME registration promotes entrepreneurship and encourages individuals to formalize their businesses, leading to more accountable and structured operations.

11. **Access to Government Incentives:** Many government schemes, subsidies, and incentives are specifically designed to benefit registered MSMEs, supporting their growth and sustainability.

12. **Credibility and Trust:** MSME registration lends credibility and legitimacy to the business, making it more trustworthy for customers, suppliers, and investors.

13. **Networking Opportunities:** Registered MSMEs can connect with other businesses, industry associations, and government bodies, creating networking opportunities that can lead to collaborations and partnerships.

14. **Employment Generation:** As MSMEs grow with the help of these benefits, they contribute to employment generation, helping alleviate unemployment issues in the country.

15. **Access to Technology and Innovation:** Some government initiatives focus on helping MSMEs adopt advanced technologies and innovative practices, making them more competitive in the market.

Overall, MSME registration provides a platform for businesses to access financial, regulatory, and developmental support, fostering their growth and contributing positively to the economy.

Micro, Small, and Medium Enterprises (MSMEs) in India can avail various tax exemptions, benefits, and concessions aimed at promoting their growth and development. These benefits are designed to provide financial relief and support to MSMEs.

### **6.3.2 Here are some of the key tax-related advantages for registered MSMEs:**

#### **1. Income Tax Benefits:**

- **Reduced Tax Rate:** MSMEs can avail of a reduced income tax rate under Section 115 BAA of the Income Tax Act. The reduced rate is applicable to companies with a turnover of up to INR 50 crore.

- **Startup Tax Benefits:** Startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) can avail of a tax holiday for three consecutive assessment years out of their first ten years of operation.

- **Presumptive Taxation:** MSMEs with a turnover of up to INR 2 crore can opt for presumptive taxation under Section 44AD, wherein they are deemed to have earned a certain percentage of

profits and are taxed accordingly.

## **2. GST Benefits:**

- Composition Scheme: MSMEs with a turnover of up to INR 1.5 crore can opt for the Composition Scheme under GST. They pay tax at a lower rate and are relieved from maintaining detailed records.
- Threshold Exemption: MSMEs with a turnover below the threshold limit are exempt from GST registration.

## **3. Customs and Excise Duty Benefits:**

- Exemption from Excise Duty: MSMEs engaged in manufacturing goods can avail of excise duty exemptions up to a certain threshold limit.
- Customs Duty Exemption: Import of certain machinery and equipment by MSMEs might be exempt from customs duty.

## **4. Capital Gains Exemption:**

- Investment in Plant and Machinery: Capital gains arising from the sale of land or building used for industrial purposes, if invested in the purchase of new plant and machinery, can be exempted under Section 54G.

## **5. Research and Development Deductions:**

- R&D Deductions: MSMEs engaged in research and development activities can claim deductions under Section 35(2AB) of the Income Tax Act.

## **6. Investment Linked Deductions:**

- Investment Allowance: Certain manufacturing companies can avail of investment-linked deductions under Section 32 AC.

## **7. Loans at Lower Interest Rates:**

- Interest Subsidy: MSMEs can avail of interest subsidy on loans taken for technological up gradation, modernization, or expansion of their business.

## **8. Credit Linked Capital Subsidy Scheme:**

- Under this scheme, MSMEs can avail of a subsidy for technology up gradation, which assists them in modernizing their production processes.

It's important to note that the availability of these benefits might vary based on factors such as the type of business, turnover, investments, and compliance with relevant regulations. MSMEs should consult with tax professionals and government authorities to understand the specific benefits they

can avail and ensure compliance with all requirements. Additionally, tax regulations and incentives can evolve, so staying updated with the latest government notifications is essential.

Micro, Small, and Medium Enterprises (MSMEs) in India can avail various exemptions across different aspects of business operations. These exemptions are aimed at promoting the growth and development of MSMEs and reducing their compliance burden.

#### **6.4 Here are some key exemptions that MSMEs can benefit from in India:**

##### 1. Goods and Services Tax (GST) Exemptions and Concessions:

- Composition Scheme: MSMEs with an aggregate turnover of up to INR 1.5 crore (INR 75 lakh for special category states) can opt for the Composition Scheme. They pay a lower rate of tax and are relieved from maintaining detailed records.
- Threshold Limit: MSMEs with a turnover below the threshold limit (INR 20 lakh for most states) are exempt from GST registration.

##### 2. Customs and Excise Duty Exemptions:

- Excise Duty Exemption: Small-scale manufacturers and certain specified products can avail of excise duty exemptions up to certain turnover limits.
- Customs Duty Exemption: Import of specific machinery and equipment by MSMEs might be exempt from customs duty.

##### 3. Income Tax Benefits:

- Reduced Tax Rate: MSMEs can avail of a reduced income tax rate under Section 115BAA of the Income Tax Act. The reduced rate is applicable to companies with a turnover of up to INR 50 crore.
- Presumptive Taxation: MSMEs with a turnover of up to INR 2 crore can opt for presumptive taxation under Section 44AD, where they are deemed to have earned a certain percentage of profits and are taxed accordingly.

##### 4. Capital Gains Exemption:

- Investment in Plant and Machinery: Capital gains arising from the sale of land or building used for industrial purposes, if invested in the purchase of new plant and machinery, can be exempted under Section 54G.

#### 5. Startup Benefits:

- Tax Holiday: Startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) can avail of a tax holiday for three consecutive assessment years out of their first ten years of operation.
- Investment Deductions: Investors in eligible startups can avail of deductions under Section 80-IAC of the Income Tax Act.

#### 6. Investment Linked Deductions:

- Investment Allowance: Certain manufacturing companies can avail of investment-linked deductions under Section 32 AC of the Income Tax Act.

#### 7. Research and Development (R&D) Deductions:

- R&D Deductions: MSMEs engaged in R&D activities can claim deductions under Section 35(2 AB) of the Income Tax Act.

#### 8. Loans at Lower Interest Rates:

- Interest Subsidy: MSMEs can avail of interest subsidy on loans taken for technological upgradation, modernization, or expansion of their business.

#### 9. Credit Linked Capital Subsidy Scheme:

- Under this scheme, MSMEs can avail of a subsidy for technology upgradation, which assists them in modernizing their production processes.

These exemptions and benefits vary based on factors such as the type of business, turnover, investments, and compliance with relevant regulations. MSMEs should consult with tax professionals and government authorities to understand the specific exemptions they can avail and ensure compliance with all requirements. Additionally, tax regulations and incentives can evolve, so staying updated with the latest government notifications is important.

Micro, Small, and Medium Enterprises (MSMEs) play a significant and multifaceted role in the economic growth and development of India. Their contributions span across various dimensions of the economy, making them a crucial component of India's economic landscape. Here are some key roles that MSMEs fulfill in driving economic growth:

1. Employment Generation: MSMEs are major contributors to employment generation, particularly in rural and semi-urban areas. They provide livelihood opportunities to a large portion of the population, helping reduce unemployment rates and supporting inclusive growth.

2. **Entrepreneurship and Innovation:** MSMEs are often founded and managed by entrepreneurs with innovative ideas. They drive innovation, creativity, and experimentation, leading to the development of new products, services, and business models.
3. **Contribution to GDP:** MSMEs collectively contribute a significant portion of India's Gross Domestic Product (GDP). Their diverse operations across manufacturing, services, and other sectors contribute to economic output.
4. **Industrialization of Rural Areas:** MSMEs play a pivotal role in promoting industrialization and economic activities in rural and semi-urban regions. They encourage local economic development and reduce the migration of people to urban centers.
5. **Exports and Foreign Exchange Earnings:** Many MSMEs are engaged in export-oriented activities, contributing to India's foreign exchange earnings and enhancing the country's export competitiveness.
6. **Inclusive Growth:** MSMEs promote inclusive growth by providing opportunities to individuals from diverse socio-economic backgrounds. They empower women, youth, and marginalized communities by offering avenues for economic participation.
7. **Supply Chain Linkages:** MSMEs are often part of larger supply chains, contributing as suppliers and vendors to larger enterprises. This integration strengthens the overall industrial ecosystem and fosters collaboration.
8. **Innovative Adaptation to Local Needs:** MSMEs often have a deep understanding of local markets and consumer preferences. They can tailor their offerings to meet specific needs, fostering localized economic development.
9. **Sustainable Development:** Many MSMEs engage in sustainable and eco-friendly practices due to their scale of operation. This aligns with global trends and contributes to environmentally responsible growth.
10. **R&D and Technology Adoption:** While smaller in scale, MSMEs can be agile in adopting new technologies. Their innovations and technology adoptions contribute to sectoral development and overall progress.
11. **Government Revenue Generation:** MSMEs contribute to government revenues through taxes, duties, and other forms of revenue generation, supporting public expenditure on various developmental projects.
12. **Reduction of Regional Disparities:** MSMEs contribute to reducing regional disparities by

promoting economic activities in less developed regions, leading to more balanced development across the country.

13. Economic Resilience: MSMEs are less vulnerable to economic shocks compared to larger corporations. Their diverse operations and local focus enable them to adapt to changing market conditions more swiftly.

In essence, MSMEs act as engines of growth, playing a pivotal role in creating jobs, driving innovation, promoting balanced development, and contributing to the overall economic well-being of India. Supporting and nurturing the growth of MSMEs is essential for sustained and inclusive economic progress.

## **6.5 Check your progress**

### **Short Questions:**

1. What does MSME stand for?
2. Why are MSMEs considered crucial for economic growth?
3. How do MSMEs contribute to job creation?
4. What is the role of MSMEs in fostering innovation?
5. What are the common sectors in which MSMEs operate?
6. What is the turnover threshold for micro, small, and medium enterprises?

### **Long Questions:**

1. Explain the significance of MSMEs in promoting inclusive growth and reducing regional disparities.
2. How do MSMEs contribute to export growth and foreign exchange earnings for a country?
3. Discuss the challenges faced by MSMEs in terms of access to finance and technology adoption.
4. What factors make MSMEs agile and responsive to market changes compared to larger corporations?
5. How do MSMEs contribute to sustainable development and environmentally responsible practices?

### **MSME Features:**

#### **Short Questions:**

1. What are the key characteristics of a micro enterprise?
2. How is the size of an MSME determined in terms of investment and turnover?

3. What advantages do MSMEs have in terms of flexibility?
4. Name two benefits of MSMEs' local focus.
5. Why are MSMEs considered engines of entrepreneurship?

**Long Questions:**

1. Describe the hierarchical structure commonly found in MSMEs.
2. How do MSMEs differ from larger corporations in terms of market presence?
3. Explain the concept of risk and uncertainty faced by MSMEs.
4. Discuss the role of innovation in the growth of MSMEs.
5. How do MSMEs contribute to the growth of rural economies?

**MSME Registration and Benefits:**

**Short Questions:**

1. What is the purpose of MSME registration?
2. How has the Udyam Registration portal simplified the registration process?
3. What are the documents required for MSME registration?
4. What are the benefits of MSME registration in terms of loans?
5. How does MSME registration lead to market access opportunities?

**Long Questions:**

1. Walk through the step-by-step procedure for MSME registration in India.
2. Discuss the significance of priority lending and collateral-free loans for registered MSMEs.
3. Explain how MSME registration protects against delayed payments.
4. What are the key tax-related benefits of MSME registration?
5. How does MSME registration contribute to the credibility and trustworthiness of a business?

**MSME Tax Benefits:**

**Short Questions:**

1. What is the significance of the Composition Scheme for MSMEs?
2. Name one income tax benefit that registered MSMEs can avail.
3. How does the presumptive taxation scheme work for MSMEs?
4. Explain the concept of investment-linked deductions for MSMEs.
5. What are the tax benefits available to startups recognized by DPIIT?

**Long Questions:**

1. Discuss the advantages of the Composition Scheme for MSMEs under GST.

2. How does the reduced income tax rate benefit registered MSMEs?
3. Explain how the startup tax holiday encourages entrepreneurship and innovation.
4. What are the criteria for availing investment-linked deductions for MSMEs?
5. How do tax incentives encourage MSMEs to invest in research and development activities?

### **MSME and Economic Development of India:**

#### **Short Questions:**

1. How do MSMEs contribute to India's GDP?
2. What role do MSMEs play in reducing unemployment rates?
3. How do MSMEs contribute to inclusive growth?
4. Name one way in which MSMEs contribute to industrialization.
5. How do MSMEs promote balanced development across regions?

#### **Long Questions:**

1. Explain how MSMEs contribute to employment generation in both urban and rural areas.
2. Discuss the impact of MSMEs on reducing income inequality in India.
3. How do MSMEs contribute to export-led growth and foreign exchange earnings for the country?
4. Describe how MSMEs contribute to technological innovation and adaptation.
5. Discuss the role of MSMEs in reducing regional disparities and promoting sustainable economic growth in India.

#### **Glossary**

**Enterprise** typically refers to a large and complex organization or business entity engaged in commercial, industrial, or professional activities. It often involves multiple departments, employees, and various operations aimed at generating profit or achieving specific goals.

**Micro Enterprises:** These are the smallest businesses, typically having a very small number of employees (often fewer than 10) and low investment in plant and machinery. They are often characterized by their local nature and limited scale of operations.

**Small Enterprises:** Small businesses are slightly larger than micro enterprises. They usually have more employees (up to around 50) and higher investments in plant and machinery compared to micro enterprises. They might have a wider reach and serve a larger market.

**Medium Enterprises:** Medium-sized businesses are larger than small enterprises but smaller than large corporations. They have a higher number of employees (typically up to 250) and a significantly larger investment in plant and machinery. Medium enterprises might have a broader



geographic presence and more diverse operations.

**References:**

- Paul Burns and Jim Dew Hunt, Small Business Entrepreneurship, Palgrave Macmillan publishers, 2010.
- Suman Kalyan Chaudhury, Micro Small and Medium Enterprises in India Hardcover, Raj Publications, 2013.
- Aneet Monika Agarwal, Small and medium enterprises in transitional economies, challenges and opportunities, DEEP and DEEP Publications.
- S.S. Khanka, Entrepreneurial Development, S. Chand, 2017.

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

**UNIT VII MSME-SEED BED OF ENTREPRENEURSHIP: STARTUP- CONCEPT, STEPS AND NEED; ROLE OF MSME IN NATIONAL ECONOMY**

**STRUCTURES**

**7.1 MSME-Seed Bed Of Entrepreneurship**

**7.2: Startup- Concept**

**7.2.1 Key Features and characteristics**

**7.2.2 Definition**

**7.2.3 Concept of Start up**

**7.2.4 Types Of Start-Ups**

**7.2.5 Steps to Start a Start –Up**

**7.2.6 Need for Start -ups**

**7.3 Role of MSME In National Economy**

**7.4. Check Your Progress**

**Short Answer Type Questions**

**Long Answer Type Questions**

**Glossary**

**References**

**7.1 MSMEs- A SEED BED OF ENTREPRENEURSHIP**

“I begin with an idea, and then it becomes something else”- Picasso. Picasso’s words are proving to be true for every entrepreneur who has a dream larger than his life. Any big undertaking starts with a small idea which gradually gets nurtured by the zeal and motivated efforts of some innovative individuals. We can take an example of presently booming 21st-century technology firms like Google, Infosys, Apple or 20th-century firms like General Electric, Reliance, they all had humble beginnings. They either started as small partnerships or a small enterprise incubated in somebody’s garage or in a small room. Now, some of them are so big that their capitalization

might be larger than most of the countries' GDP. Every generation witnesses a bunch of these enterprises flourishing into the business screen and changing the future forever. While people, in general, remember few popular firms, there were and are many who change human lives forever with their innovative services and products. Historical studies have indicated that major innovations of the 20th century came from smaller firms, though the ultimate commercialization in many cases depended on larger firms. The entrepreneurs who run these firms have to face lots of challenges ranging from arranging funds to marketing. The innovative leaders with management skills can overcome these challenges and they turn the small firms into leading ones. In fact, these leaders always inspire the younger generations to turn their ideas into reality of good enterprises. It is the fact that the micros, small and medium enterprises (MSMEs) are more innovative and the reason behind it is these enterprises generally attract younger talent. They assess the challenges and problems from the fresh perspective. Let us take an example of electric cars. In 2013, Toyota Chairman Takeshi Uchiyamada said "We do not believe there is a market to accept it," and 4 years later Tesla proved this statement wrong when they got more than half a million reservations for the Tesla Model 3 of electric cars. The positive point with MSMEs is that these enterprises can adjust with the changing business environment and Indian Govt. has also taken many steps to boost the development of these enterprises. Larger firms generally face with the problem of lack of innovation as they have an established product, huge investment, and high ranked business units. In contrast, MSMEs sense the changes fast and can quickly move to new projects with full throttle. We can consider the case of YouTube. It was founded in 2005 as a video dating site called 'Tune in Hook Up'. But the site was failed to gain the attraction of people and the founders thought again, focused on the concept of simply sharing videos its platform. Later it was taken over by Google and YouTube got a boost in every aspect. At present, users are uploading over 500 hours of video per minute which reveals its success saga. Micro, small and medium enterprises (MSMEs) understand that they can stand in a market only if their product is significantly better than the industry standard. For this, they pour in all of their efforts to create something that adds more value in their products and services. There are many examples from various sectors which makes the above statements more strong. Even in music streaming services the companies like Gana Music and JioSaavan are leading the industry as they have understood that the online world is getting accustomed to free music, and they created a better tool to fit this appetite. Now with a huge response they encouraged to upgrade to the premium service with additional features. In this

manner, they are earning good revenue. Most successful firms generally get strong mentoring from the founders of other successful companies as Facebook founder Mark Zuckerberg found that Apple's CEO Steve Jobs was an invaluable and inspiring mentor.

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a vibrant and dynamic sector of the Indian economy. MSMEs play crucial role in providing large employment opportunities at comparatively lower cost than large industries. In India, there are number of MSMEs which are doing astounding work in their respective sector which is inspiration in true sense. For example Agrahyah Technologies Pvt. Ltd, Mumbai, provides solutions relating to NLP (natural language processing) and ASR (auto speech recognition) which helps people to interface with a smart phone, smart speaker, or any appliance with their voice. Befach 4X Pvt. Ltd, Hyderabad, gives the low cost hard water solution based on sequencing science wherein calcium and magnesium are made inactive in water. It is a great innovative initiative in the sector. CREA a Fridabad based firm working in Apparel and Garments sector, has a great innovation named as VARAHA a shape-shifting multi modular backpack & travel pack that is tough & versatile in its form and function. Chakr Innovation Pvt. Ltd, Delhi, works in the field of Renewable & Environment, has come up with a novel technology, which is retrofitted on Diesel Generators. It captures 90% of particulate emissions from diesel generators, which is converted to ink and paint. In short, above examples are the proof that new set ups as MSMEs are working with great zeal and their innovative steps are changing the society.

These new born MSMEs have tremendous possibilities to go beyond the pre-determined limits. In fact, they are proving their businesses as encouragement to the future entrepreneurs. So, we can say that MSMEs are the true seed bed of industrial culture in India.

**Micro, Small, and Medium Enterprises (MSMEs) play a crucial role as a seedbed for entrepreneurship in many economies. Here's why:**

1. **Low Entry Barriers:** MSMEs require relatively lower investments and resources to start compared to larger businesses, making them accessible for aspiring entrepreneurs with limited capital.
2. **Skill Development:** Entrepreneurs often acquire valuable business skills, experience, and industry knowledge through MSMEs, which can serve as a stepping stone to larger ventures.
3. **Innovation and Experimentation:** MSMEs have the flexibility to experiment with new

products, services, and business models, fostering innovation and entrepreneurial creativity.

4. **Job Creation:** MSMEs are significant job generators, providing opportunities for employment and reducing unemployment rates, thus nurturing an entrepreneurial ecosystem.

5. **Local Economic Growth:** These enterprises often have strong ties to local communities, contributing to the economic development of regions and fostering a culture of entrepreneurship.

6. **Supplier Networks:** MSMEs can serve as suppliers to larger companies, creating opportunities for entrepreneurs to establish niche businesses within supply chains.

7. **Market Expansion:** Successful MSMEs can grow into larger enterprises, scaling up their operations and further contributing to the entrepreneurial ecosystem.

8. **Adaptability:** MSMEs are more agile and adaptable compared to larger corporations. This flexibility allows entrepreneurs to respond quickly to changing market conditions and customer preferences, honing their entrepreneurial skills.

9. **Diversity of Industries:** MSMEs exist in various industries, from manufacturing and agriculture to services and technology. This diversity provides aspiring entrepreneurs with a wide range of sectors to explore and enter.

10. **Market Testing:** Entrepreneurs can use MSMEs to test their business ideas and concepts before committing to larger-scale ventures. This mitigates risk and provides valuable market feedback.

11. **Access to Networks:** MSMEs often have strong local networks and connections, which can be leveraged by entrepreneurs to build relationships, secure partnerships, and gain industry insights.

12. **Globalization Opportunities:** Successful MSMEs can expand internationally, offering entrepreneurs the chance to enter global markets and develop a global mindset.

13. **Resource Utilization:** Entrepreneurs in MSMEs learn how to optimize resources efficiently, a crucial skill for managing a business effectively.

14. **Intrapreneurship:** Within MSMEs, employees may have opportunities to develop entrepreneurial skills through intrapreneurship, where they innovate and take ownership of specific projects or departments.

15. **Resilience:** Operating in the challenging environment of MSMEs can teach entrepreneurs resilience and problem-solving skills, which are vital for long-term success in entrepreneurship.

16. **Niche Markets:** MSMEs often cater to niche markets that larger companies may overlook,

creating niches for entrepreneurs to explore and excel in.

In essence, MSMEs act as a fertile ground for nurturing entrepreneurial talent, providing aspiring business owners with the experience, resources, and opportunities needed to grow and succeed in the world of entrepreneurship.

While Micro, Small, and Medium Enterprises (MSMEs) serve as a seedbed for entrepreneurship, they also face several challenges that can hinder their ability to foster new businesses. **Here are some of the key challenges:**

1. **Access to Finance:** Many MSMEs struggle to secure adequate funding for their operations and expansion, which can limit their ability to support aspiring entrepreneurs and startups.
2. **Regulatory Burden:** Complex and often burdensome regulations can create barriers to entry and growth for both MSMEs and new entrepreneurs, discouraging entrepreneurial activities.
3. **Limited Resources:** MSMEs often operate with limited resources, making it challenging to provide mentorship, training, and support to potential entrepreneurs.
4. **Competition:** Intense competition within the MSME sector can make it difficult for new startups to gain a foothold and grow, especially in crowded markets.
5. **Access to Markets:** MSMEs may face difficulties in accessing larger markets and distribution channels, limiting their ability to support entrepreneurial ventures.
6. **Technology Adoption:** Many MSMEs struggle to adopt and integrate new technologies, which can be a barrier to innovation and entrepreneurial growth.
7. **Skills Gap:** A shortage of skilled labor and management talent within MSMEs can hinder their ability to mentor and develop new entrepreneurs.
8. **Infrastructure Challenges:** Inadequate infrastructure, such as transportation and logistics, can increase the cost of doing business for both MSMEs and startups.
9. **Market Volatility:** Economic instability and market fluctuations can pose significant challenges for MSMEs, making it harder to support entrepreneurial endeavors.
10. **Access to Support Services:** Limited access to business development services, incubators, and accelerators in some regions can hinder the growth of entrepreneurial ecosystems centered on MSMEs.
11. **Risk Aversion:** Some MSMEs may be risk-averse and reluctant to support new ventures due to concerns about potential competition or resource allocation.
12. **Access to Skilled Labor:** Finding and retaining skilled employees can be challenging for

MSMEs, limiting their capacity to mentor and support entrepreneurial talent.

Addressing these challenges often requires a collaborative effort involving governments, financial institutions, industry associations, and educational institutions to create a more supportive environment for both MSMEs and aspiring entrepreneurs. Reducing regulatory burdens, improving access to finance, promoting technology adoption, and fostering a culture of entrepreneurship can help overcome these obstacles and promote the growth of MSMEs as a seedbed for entrepreneurship.

Micro, Small, and Medium Enterprises (MSMEs) can capitalize on various opportunities to effectively serve as a seedbed for entrepreneurship. **Here are some key opportunities:**

1. **Mentorship Programs:** MSMEs can establish mentorship programs to guide and nurture aspiring entrepreneurs. Experienced MSME owners can share their knowledge and expertise, helping new entrepreneurs navigate the complexities of starting and running a business.
2. **Incubators and Accelerators:** Setting up incubators or accelerators within MSMEs can provide dedicated spaces and resources for startups to grow. These programs can offer infrastructure, mentorship, and access to networks, fostering entrepreneurship.
3. **Supplier Diversity Programs:** Larger corporations and government entities often seek to diversify their supplier base by partnering with MSMEs. This presents opportunities for MSMEs to grow and, in turn, support smaller entrepreneurial ventures within their supply chains.
4. **Collaborative Ecosystems:** MSMEs can collaborate with universities, research institutions, and larger enterprises to create vibrant entrepreneurial ecosystems. This can involve joint research, innovation hubs, and shared resources to stimulate entrepreneurship.
5. **Access to Finance:** MSMEs that have established financial stability can invest in or provide funding for startups, acting as angel investors or venture capitalists within their capacity.
6. **Technology Adoption:** Embracing digital technologies and e-commerce can enable MSMEs to reach broader markets, including those with innovative startup products and services.
7. **Niche Markets:** Identifying and specializing in niche markets allows MSMEs to differentiate themselves and create opportunities for entrepreneurs to cater to specific customer needs.
8. **Export Opportunities:** MSMEs can explore international markets, opening doors for entrepreneurs to participate in global trade and supply chains.
9. **Skills Development:** Offering training programs and internships within MSMEs can help develop the skills and entrepreneurial mindset of young individuals, preparing them for future

ventures.

10. **Social Entrepreneurship:** MSMEs can engage in socially responsible business practices and support social entrepreneurship, aligning their growth with positive social and environmental impacts.

11. **Innovation Labs:** MSMEs can establish innovation labs or research divisions to collaborate with startups on new product development, encouraging entrepreneurship in the process.

12. **Government Support:** Leveraging government initiatives, grants, and subsidies targeted at supporting MSMEs can enhance their capacity to serve as a seedbed for entrepreneurship.

13. **Market Entry Support:** MSMEs can assist startups by providing them access to established distribution channels and customer networks, accelerating their market entry.

14. **Knowledge Sharing:** Hosting seminars, workshops, and industry events can help MSMEs share their expertise and foster a culture of continuous learning and entrepreneurship.

By leveraging these opportunities, MSMEs can play a pivotal role in nurturing and supporting the growth of new entrepreneurial ventures, contributing to economic development and innovation.

## **7.2 Startups:**

A startup is a newly established company or business in its early stages of development. These companies are typically characterized by their innovative ideas, scalable business models, and a focus on rapid growth. Startups often seek funding from investors to fuel their growth and bring their products or services to market. The term "startup" is commonly associated with technology-driven businesses, but it can apply to various industries.

### **7.2.1 Key features and characteristics of startups:**

1. **Innovation:** Startups are often founded with innovative ideas, products, or services that aim to address a specific problem or need in a unique way. They seek to disrupt traditional markets or industries.

2. **Early Stage:** Startups are typically in their early stages, often just getting off the ground. They might not have a long operating history, and their business models might still be evolving.

3. **High Growth Potential:** Startups are focused on rapid growth and scalability. They aim to expand quickly and capture a significant market share.

4. **Risk:** Startups often face a higher level of risk compared to established businesses. There's a greater chance of failure, but also the potential for substantial rewards if successful.



5. **Venture Capital:** Many startups seek funding from venture capitalists or angel investors to finance their growth. These investors provide capital in exchange for equity in the company.
6. **Lean Operations:** Startups often operate with limited resources, emphasizing efficiency and cost-effectiveness. They prioritize lean practices to make the most of their available funds.
7. **Entrepreneurial Spirit:** Startups are driven by entrepreneurs who are passionate about their ideas and willing to take risks to bring them to fruition.
8. **Focus on Market Niche:** Startups often target specific niches within larger markets. This niche focus can help them establish a foothold and grow from there.
9. **Adaptability:** Startups need to be flexible and adaptable. They may need to pivot their business model or strategy based on market feedback and changing circumstances.
10. **Tech-Centric:** While not all startups are technology-based, many are, especially in fields like software development, biotech, and artificial intelligence.
11. **Ecosystem:** Startups often thrive in entrepreneurial ecosystems or hubs like Silicon Valley in the United States or other innovation clusters around the world. These ecosystems provide access to talent, funding, and mentorship.
12. **Exit Strategy:** Many startups have an exit strategy in mind, such as being acquired by a larger company or going public through an initial public offering (IPO).

These are some of the defining characteristics of startups, but it's important to note that the startup landscape can vary widely across different industries and regions. Each startup is unique in its approach and goals.

### **7.2.2 Definition**

A startup is a company or organization that is newly established and typically in its early stages of development. These companies are often characterized by their innovative business ideas, products, or services, and they have a strong focus on growth and scalability. Startups frequently seek external funding from investors to support their expansion and market entry. The term "startup" is commonly associated with technology-based or disruptive businesses, but it can apply to various industries and sectors.

**7.2.3 The concept of a startup** revolves around the creation and development of a new business venture, typically characterized by the following key elements:

1. **Innovation:** Startups often introduce innovative products, services, or business models that address unmet needs or solve problems in unique ways. They aim to disrupt existing markets or create entirely new ones.
2. **Early Stage:** Startups are usually in their early stages, often founded by entrepreneurs with a vision. They may not have a long history of operations and are still refining their business model.
3. **High Growth Potential:** Startups aspire to achieve rapid growth and scalability. They aim to expand their customer base, revenue, and market presence quickly.
4. **Risk and Uncertainty:** Startups face a higher level of risk compared to established businesses. There's a significant chance of failure, but success can lead to substantial rewards.
5. **Funding:** Many startups seek external funding from sources like venture capitalists, angel investors, or crowdfunding platforms to fuel their growth and development.
6. **Lean Operations:** Startups often operate with limited resources and prioritize cost-efficiency. They focus on achieving more with fewer resources.
7. **Entrepreneurial Leadership:** Startups are driven by entrepreneurs who are passionate about their ideas and willing to take risks to bring them to market.
8. **Market Niche:** Startups often target specific niches within larger markets, allowing them to establish a presence and grow gradually.
9. **Adaptability:** Startups must be adaptable and responsive to market feedback and changing conditions. They may pivot their strategies or offerings as needed.
10. **Technology Focus:** While not all startups are technology-based, many leverage technology to create innovative solutions or products. Tech startups are common but not exclusive.
11. **Ecosystems:** Startups often thrive in entrepreneurial ecosystems or hubs that provide access to talent, mentors, networking opportunities, and funding sources.
12. **Exit Strategy:** Many startups plan for an eventual exit, which could involve being acquired by a larger company or going public through an initial public offering (IPO).

Overall, the concept of a startup is rooted in entrepreneurship, innovation, and the pursuit of growth. Startups play a crucial role in driving economic development and fostering technological advancements in various industries.

#### **7.2.4 Types of startups**

Startups come in various types, each with its unique focus, industry, and business model. Here are some common types of startups:

1. **Technology Startups:** These are often software or hardware companies that develop innovative tech products or services. Examples include software-as-a-service (SaaS) companies, app developers, and hardware manufacturers.
2. **E-commerce Startups:** E-commerce startups operate online stores, selling products directly to consumers or businesses. They include online retailers, subscription box services, and marketplace platforms.
3. **Biotech and Healthcare Startups:** These startups focus on innovations in biotechnology, pharmaceuticals, medical devices, and healthcare services. Their goal is often to improve healthcare outcomes or advance medical research.
4. **FinTech Startups:** Financial technology startups create digital solutions for banking, payments, lending, investing, and insurance. They aim to disrupt traditional financial services.
5. **Social Impact Startups:** Social impact startups prioritize positive societal and environmental outcomes alongside financial returns. They address issues such as poverty, education, sustainability, and healthcare.
6. **Consumer Goods Startups:** These startups create new consumer products, often with unique features or sustainability aspects. Examples include food and beverage startups, fashion brands, and eco-friendly products.
7. **AI and Machine Learning Startups:** AI and machine learning startups leverage artificial intelligence to provide solutions in areas like data analysis, automation, and predictive analytics.
8. **Clean Energy and Sustainability Startups:** These startups develop technologies and services related to renewable energy, energy efficiency, waste reduction, and environmental conservation.
9. **EduTech Startups:** EduTech startups focus on educational technology and e-learning solutions, offering online courses, tutoring platforms, and tools for educators and students.
10. **Travel and Hospitality Startups:** These startups innovate in the travel and tourism industry, offering services like travel booking platforms, accommodation-sharing, and travel experiences.
11. **HealthTech Startups:** HealthTech startups combine technology with healthcare, offering telemedicine services, health monitoring devices, and digital health records.
12. **FoodTech Startups:** FoodTech companies create innovations in the food industry, including food delivery services, meal kit subscriptions, and sustainable agriculture solutions.
13. **Space and Aerospace Startups:** These startups work on space exploration, satellite technology, space tourism, and aerospace advancements.

14. **Blockchain and Cryptocurrency Startups:** Blockchain startups develop decentralized technologies and digital currencies like Bitcoin and Ethereum.

15. **Gaming and Entertainment Startups:** These startups create video games, streaming platforms, virtual reality experiences, and entertainment content.

16. **Artificial Reality (AR) and Virtual Reality (VR) Startups:** AR and VR startups build immersive experiences and applications in various industries, from gaming to healthcare.

17. **Hardware and IoT (Internet of Things) Startups:** These startups design and manufacture physical devices that are often connected to the internet, such as smart home appliances or wearable technology.

18. **SaaS (Software as a Service) Startups:** SaaS startups offer cloud-based software solutions for businesses, covering functions like project management, customer relationship management, and productivity tools.

These are just a few examples, and startups can emerge in virtually any industry where there's room for innovation and disruption. The specific type of startup often depends on the founders' expertise, market opportunities, and their vision for addressing particular challenges or needs.

### **7.2.5 Steps to Start a Start -Up**

A lot of millennial in India these days are eager with the idea of startups. Many of them are carrying the idea of Sartups in mind already or they are trying to choose something very near to their interests. The reality is there is an intense competition of starting a startups but it needs an exceptionally great skills to sustain in this competition. Before an aspirant work on the idea of Satrtup, he/she needs to ensure what market gap is to be addressed, readiness to take challenges and accept failures and idea must differ to others in its way. Every great startup begins with a great idea but it takes a massive effort to be put into practice and make it successful. Having a great idea is just the beginning and here are few steps you can take that will not only help you in conceptualizing a good business idea but also successfully executing it:

Starting a startup involves several crucial steps to help turn your idea into a viable and successful business. Here's a general outline of the key steps involved:

1. **Idea Generation:** Begin by identifying a problem, need, or opportunity in the market that your startup can address. Your idea should be innovative and have the potential for growth.

2. **Market Research:** Conduct thorough market research to validate your idea. Analyze your target audience, competitors, and industry trends. Ensure there is a demand for your product or service.

3. **Business Plan:** Create a detailed business plan that outlines your startup's vision, mission, goals, and strategies. Include financial projections, marketing plans, and an executive summary.
4. **Legal Structure:** Choose a legal structure for your startup, such as a sole proprietorship, partnership, LLC, or corporation. Register your business and comply with all legal requirements, including permits and licenses.
5. **Funding:** Determine how you'll fund your startup. Options include personal savings, loans, angel investors, venture capital, crowdfunding, or grants. Secure the necessary funding to get your business off the ground.
6. **Team Building:** Assemble a skilled and motivated team. Choose co-founders, employees, or collaborators who complement your skills and share your vision.
7. **Product Development:** Develop a prototype or minimum viable product (MVP) to test your idea and gather feedback from early users. Iterate and refine your product based on feedback.
8. **Branding and Marketing:** Create a strong brand identity, including a name, logo, and website. Develop a marketing strategy to reach your target audience through digital marketing, content creation, and social media.
9. **Sales and Distribution:** Establish a sales and distribution strategy. Determine how you'll sell and deliver your product or service to customers, whether through online sales, partnerships, or physical locations.
10. **Financial Management:** Implement financial management practices to track expenses, revenue, and cash flow. Set up accounting systems and budget wisely to ensure financial sustainability.
11. **Scaling:** Once your business gains traction and revenue, develop a plan for scaling up. This may involve expanding your team, increasing production capacity, or entering new markets.
12. **Customer Feedback:** Continuously gather and analyze feedback from customers. Use this information to improve your product, services, and customer experience.
13. **Networking:** Build a strong network of mentors, advisors, industry experts, and potential investors. Networking can provide valuable guidance and opportunities for growth.
14. **Legal and Regulatory Compliance:** Stay informed about and comply with all legal and regulatory requirements in your industry and location. This includes tax obligations, data privacy regulations, and intellectual property protection.
15. **Adaptability:** Be prepared to pivot your business strategy if necessary. Markets and

circumstances can change, and your startup may need to adapt to new challenges or opportunities.

16. **Sustainability:** Consider the long-term sustainability of your startup, both financially and environmentally. Incorporate sustainable practices and ethics into your business model.

Starting a startup is a dynamic and challenging journey that requires dedication, resilience, and continuous learning. While these steps provide a general roadmap, keep in mind that every startup's path is unique, and flexibility is essential to navigate the uncertainties of entrepreneurship.

### **7.2.6 NEED FOR STARTUPS**

Startups play a crucial role in the economy for several reasons:

1. **Innovation:** Startups often bring fresh and innovative ideas to the market, leading to the development of new products, services, and technologies that can disrupt existing industries and improve people's lives.
2. **Job Creation:** Startups are significant job creators. They hire employees, contractors, and freelancers, contributing to reduced unemployment rates and economic growth.
3. **Economic Growth:** The growth of startups can stimulate economic development by increasing tax revenue, boosting local businesses, and attracting investment.
4. **Competition:** Startups introduce competition into established markets, which can lead to improved products, better pricing, and enhanced customer experiences.
5. **Flexibility:** Startups are typically more agile and adaptable than large corporations, making them better suited to respond to changing market conditions and customer demands.
6. **Entrepreneurship Ecosystem:** A thriving startup ecosystem encourages entrepreneurship by providing resources, mentorship, and networking opportunities, fostering a culture of innovation.
7. **Investment Opportunities:** Startups offer investment opportunities for venture capitalists, angel investors, and individuals looking for potentially high returns on investment.
8. **Problem Solving:** Many startups are focused on solving specific problems or addressing unmet needs, contributing to societal improvements and advancements.
9. **Global Reach:** In the digital age, startups can quickly scale and reach a global audience, potentially disrupting traditional business models.
10. **Inspiration:** Successful startups can inspire others to pursue their entrepreneurial dreams, leading to a cycle of innovation and economic growth.

Overall, startups are vital for driving innovation, creating jobs, and contributing to economic prosperity, making them an essential component of any healthy economy.

### **7.3 ROLE OF MSME IN NATIONAL ECONOMY**

**Micro, Small, and Medium Enterprises (MSMEs) play a significant role in the development of the Indian economy. Here are some key contributions and roles of MSMEs:**

In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer them as the 'Backbone of the country.' Since its formation, the MSME segment has proven to be a highly dynamic Indian economy sector. MSMEs produce and manufacture a variety of products for both domestic as well as international markets. They have helped promote the growth and development of khadi, village, and core industries. They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas. MSMEs have played an essential role in increasing employment opportunities, industrialization, domestic production and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers. Some of the data based advantages of the MSMEs can be discussed as below:

1. **Employment Generation:** MSMEs are major job creators in India. They provide employment opportunities to a large section of the population, including both skilled and unskilled workers. This helps reduce unemployment and underemployment rates.
2. **Contribution to GDP:** MSMEs contribute significantly to India's Gross Domestic Product (GDP). They represent a substantial share of the industrial output and economic activity, thus boosting the overall economy.
3. **Promotion of Entrepreneurship:** MSMEs are often started by budding entrepreneurs with innovative ideas. They encourage entrepreneurship, fostering a culture of innovation and self-employment.
4. **Rural Development:** MSMEs are distributed across urban and rural areas, contributing to the balanced development of the country. They help prevent the migration of people from rural to urban areas by creating economic opportunities locally.
5. **Export Growth:** Many MSMEs are engaged in export-oriented activities. They enhance India's export capabilities and contribute to foreign exchange earnings.
6. **Inclusive Growth:** MSMEs often involve marginalized and economically disadvantaged groups, such as women, minorities, and tribal communities. They contribute to inclusive growth and

poverty reduction.

7. **Support to Large Industries:** MSMEs serve as suppliers, subcontractors, and service providers to larger industries. They play a crucial role in the supply chain and contribute to the competitiveness of large enterprises.

8. **Flexibility and Adaptability:** MSMEs are known for their flexibility and ability to adapt quickly to changing market conditions. This agility helps the economy remain resilient in the face of economic fluctuations.

9. **Technology Adoption:** MSMEs are increasingly adopting technology to improve productivity and competitiveness. This contributes to technological advancements and innovation in various sectors.

10. **Government Initiatives:** The Indian government has implemented various policies and schemes to support MSMEs, such as financial incentives, credit facilities, and skill development programs. These initiatives further promote their growth and development.

11. **Reducing Regional Disparities:** MSMEs operate in various regions of India, including less developed states. Their presence helps reduce regional economic disparities by promoting economic activity in underserved areas.

12. **Supply Chain Diversification:** MSMEs contribute to diversifying the supply chain, reducing dependence on a few large players, and enhancing the resilience of the economy to disruptions.

Overall, MSMEs are considered the backbone of the Indian economy due to their immense contribution to economic growth, employment generation, and entrepreneurship. Encouraging and supporting the growth of MSMEs remains a crucial focus for policymakers and stakeholders in India's economic development.

#### **7.4 Check your progress**

MSMEs as Seed Bed for Entrepreneurship:

Short Questions:

1. What does MSME stand for?
2. How do MSMEs contribute to entrepreneurship?
3. Why are MSMEs considered a breeding ground for entrepreneurs?
4. Give an example of a successful entrepreneur who started as an MSME owner.
5. What challenges do entrepreneurs face when transitioning from MSMEs to larger enterprises?



### Long Questions:

1. Explain the concept of MSMEs as a seed bed for entrepreneurship. How do they nurture and foster new business ventures?
2. Discuss the role of MSMEs in providing opportunities for aspiring entrepreneurs. Provide real-world examples to illustrate your points.
3. What specific skills and experiences can individuals gain by starting or working in an MSME that prepare them for entrepreneurship on a larger scale?
4. Analyze the relationship between MSME growth and the emergence of successful startups in a given industry or region.
5. What are the key factors that influence an MSME owner's decision to transition into the startup ecosystem? How can governments and organizations support this transition?

### **Startup Needs and Types:**

#### Short Questions:

1. What are the basic needs of a startup?
2. Name three common types of startups.
3. What is seed funding, and why is it important for startups?
4. How do tech startups differ from traditional startups?
5. What role does market research play in identifying startup needs?

#### **Long Questions:**

1. Outline the essential needs that every startup must address during its early stages. How do these needs evolve as the startup grows?
2. Compare and contrast different types of startups, such as lifestyle businesses, high-growth startups, and social enterprises. What are their distinct characteristics and objectives?
3. Explain the significance of securing adequate funding for startups. Discuss various sources of startup capital and their advantages and disadvantages.
4. Explore the challenges faced by tech startups compared to non-tech startups. How do their needs, strategies, and growth trajectories differ?
5. How can a well-conducted market research process help startups identify and address their target market's needs effectively?

### **Steps in Starting a Startup:**

#### Short Questions:

1. What is the first step in starting a startup?
2. Name three critical steps in the startup planning process.
3. Why is a business plan essential for startups?
4. What role does branding play in the early stages of a startup?
5. How can startups validate their business idea?

Long Questions:

1. Describe the key steps involved in launching a startup from concept to execution. What challenges might entrepreneurs encounter at each stage?
2. Discuss the significance of market research and feasibility studies in the initial stages of a startup. How do they inform business decisions?
3. Explain the components of a comprehensive business plan and how it guides a startup's growth and development.
4. Analyze the importance of branding and marketing for startups. How can startups establish a unique identity in a competitive market?
5. Detail the methods and strategies that startups can use to validate their business idea and ensure market demand before scaling.

MSMEs and Economic Development:

Short Questions:

1. How do MSMEs contribute to economic development?
2. What are the employment benefits of supporting MSMEs?
3. Why is the growth of the MSME sector considered a sign of a healthy economy?
4. What challenges do MSMEs face in contributing to economic development?
5. How can governments promote the role of MSMEs in economic growth?

Long Questions:

1. Discuss the multifaceted contributions of MSMEs to economic development, including job creation, income generation, and innovation.
2. Analyze the potential economic impacts of a thriving MSME sector in a developing country or region.
3. Identify and explain the major challenges that hinder MSMEs from realizing their full potential in driving economic growth.
4. Evaluate the effectiveness of government policies and initiatives aimed at supporting and

promoting MSMEs as engines of economic development.

5. What strategies can governments and organizations implement to enhance the resilience and sustainability of MSMEs during economic crises or disruptions?

### **Glossary**

**Startup** A startup is a newly established company or business in its early stages of development. These companies are typically characterized by their innovative ideas, scalable business models, and a focus on rapid growth. Startups often seek funding from investors to fuel their growth and bring their products or services to market.

### **References:**

- Book: "The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses" by Eric Ries
- Reference: "The Role of Micro, Small, and Medium Enterprises in Economic Growth: A Cross-Country Analysis" by Meghana Ayyagari, Asli Demirgüç-Kunt, and Vojislav Maksimovic (World Bank Policy Research Working Paper 3519)
- Book: "Zero to One: Notes on Startups, or How to Build the Future" by Peter Thiel with Blake Masters
- Book: "The Art of Startup Fundraising" by Alejandro Cremades
- Book: "The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company" by Steve Blank and Bob Dorf
- Book: "Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers" by Alexander Osterwalder and Yves Pigneur
- Book: "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits" by C.K. Prahalad
- Book: "Creating Value for All Through IT: IFIP WG 8.6 International Conference on Transfer and Diffusion of IT, TDIT 2014" edited by Jyoti Choudrie, et al.
- Reference: "Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation" by OECD
- These references and books cover a wide range of topics related to MSMEs, entrepreneurship, startups, and their impact on economic development. They should provide you with valuable insights and knowledge in each area.

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

<b>UNIT VIII PRODUCT PLANNING AND MANAGEMENT</b>
--

**STRUCTURE**

**8.0 Objective**

**8.1 Introduction**

**8.1.1 Characteristics of Product**

**8.2 Product Planning**

**8.2.1 Objectives of Product Planning**

**8.2.2 Significance of Product Planning**

**8.3 Steps in Product Planning**

**8.4 Product Analysis**

**8.5 Product Controlling**

**8.6 Components of Product Planning**

**8.7 Product Marketing**

**8.7.1 Concept of Marketing**

**8.8 4 Ps of the Marketing Mix**

**8.9 Marketing Management**

**8.10 Marketing research**

**8.11 Marketing Management Function**

**8.12 Role of Marketing Management in Entrepreneurial Development**

**8.13 Growth and Diversification Strategies**

**8.13.1 Growth strategy**

**8.13.1.1 Core Growth Strategies of Business**

**8.13.2 Diversification Strategy**

**8.13.2.2 Typology of Diversification Strategy**

### **8.13.2.3 Modes of Diversification**

#### **8.14 Summary**

#### **8.15 Check Your Progress**

#### **Short Answer Type Questions**

#### **Long Answer Type Questions**

#### **Glossary**

#### **References**

### **8.0 OBJECTIVE**

The main objective of this chapter is to give insight into the concept of product and product planning. Various steps involved in the process of product planning have been discussed. The role of marketing management in creating awareness about the product in the market has been enlightened. Growth and diversification strategies for expanding the business in various markets have also been discussed.

## **8.1 INTRODUCTION**

Competition pressures demand a regular flow of technologically improved new products in most industries. The profitable survival of new enterprises largely depends upon innovative products. Product is the heart of the marketing activities of any enterprise or business organization. With globalization and technological improvements, various new marketing methods have developed in the industry. Marketing is the process of determining customer demands, translating them into products, and then selling them to the desired customers and users in order to meet their needs and desires.

### **MEANING AND DEFINITION OF PRODUCT**

Products include both tangible and intangible items including physical things, services, people, locations, and organizations, as well as combinations of these. For example, food grains, textiles, toothpaste, books, pen, exhibitions, business school, etc. Services are a type of activity that comprises activities and benefits that are sold and are essentially intangible. The product should match the expectations of customers.

#### ***Definitions of Product***

1. According to **W. Alderson**, “A product is a bundle of utilities consisting of various features and accompanying services.”
2. According to **American Marketing Association**, “A product is anything that can be offered to a market for attention, acquisition, and consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations, and goals.”
3. According to **Phillip Kotler**, “A product is made up of three parts: Tangible Product Materials and Construction, Extended Product Part- Services and Generic Product Part- the benefits”.

### **8.1.1 CHARACTERISTICS OF PRODUCT**

A set of Tangible, intangible, and associated attributes that can meet the wants and demands of both individuals and businesses and can be exchanged for money or money's worth is referred to as a product. The following are the basic characteristics of the product:

- A product must be tangible, which implies it must have its own size, form, colour, weight, length, and so on. It can be seen or touched.
- A product is accompanied by a variety of services. Whether these services are offered before or after the sale.
- A product must have a label. Labelling assists the seller in identifying the product, and it also offers detailed information about the product to the customer.
- Product should have good packaging. Packaging keeps the product safe while handling and distributing of product.
- Exchange value is an essential characteristic of the product. The product should be capable of being exchanged between buyers and sellers at an agreed or acceptable price.
- The product should be made according to the consumer's needs, wants, tastes, or preferences. It should provide satisfaction to the customers.

### **8.2 PRODUCT PLANNING**

Product planning is the systematic development of a company's product line. The variations in the products that are offered for sale in the market are referred to as a product line. Consequently, Product planning encompasses all of the operations that determine which items of a firm should be offered for sale in the market so that, despite intense competition, they can be sold economically.

Product planning is the process of generating fresh ideas for producing and launching a product to maximize profitability. It is also concerned with rigorously monitoring the concepts, translating them into real things, and releasing a new product to the market for utilization. It also includes the development of policies and plans. It also covers the enhancement and expansion of existing items. Product planning is a complex process that necessitates excellent cooperation among several organizational units.

### ***Definitions of Product Planning***

1. According to **Karl H. Tietjen**, “Product planning is an act of marketing out and supervising the search, screening, development, and commercialization of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items.”
2. According to **Frederick D. Sturdivant**, “The specification of means for attaining corporate goals that occur concerning new products, modification of existing ones and deletion of those current that appear moribund is called product planning.”

#### **8.2.1 OBJECTIVES OF PRODUCT PLANNING**

Product planning plays a significant role in achieving the following major objectives:

- To meet the needs of customers.
- To ensure proper and optimal resource utilization.
- To increase the firm's sales.
- To use extra funds efficiently.
- To diversify risks and deal with competition.
- Ensure the survival of a firm.

#### **8.2.2 SIGNIFICANCE OF PRODUCT PLANNING**

Product planning is an important function for new enterprises. An entrepreneur needs to plan an innovative product before entering in the market or in a competitive environment. Product Planning has its significance due to the following reasons:

- It involves making decisions about the product and its attributes because the product is the foundation of the marketing mix.
- It ensures the company's profitability. For this, the company conducts research as well as product revisions on a regular basis in order to enhance sales and client happiness.

- Product planning represents the managerial ability and assists the organization in dealing with obstacles.
- It can be used as a competitive weapon by making sound decisions on product qualities, pricing, customer service, tactics, and so on.
- It is an important means of fulfilling the firm's social responsibilities.

### 8.3 STEPS IN PRODUCT PLANNING

The crucial role of marketing has led to the emergence of new product development as a growth strategy. The corporations may create new brands and product revisions through internal R&D initiatives. Creating viable organizational structures is a crucial step in a new product development process. The steps are as follows:

1. **Idea Generation:** Idea generation is the first step in product planning and development. Idea generation means the fusion of perceived need with the recognition of technical opportunity. The top management chooses which markets and which items to emphasize. It should outline the goals for the new product and specify how much work should go into developing unique products, changing existing products, and imitating the products of competitors. Ideas for new products can come from a variety of sources, including customers, scientists, rival companies, the company's salesmen, dealers, and top management. Better ideas can be generated through strategies like forced relationships, problem analysis, brainstorming, etc.
2. **Idea screening:** Idea Screening is the second stage in product planning. Screening the idea means shortlisting the ideas. The business must avoid making the drop error at this point, which involves allowing a bad idea to go ahead and dump a good idea. The purpose of screening is to identify and discard bad ideas as soon as possible, and to make logical estimations regarding the market's size, the cost of the product, its price, its time and cost of development, its production, and its rate of return.
3. **Concept Development:** The ideas that survive must be transformed into product concepts. An idea for a potential product is one that the business can foresee introducing to the market. For example, Creating any powdered substance to add to milk to alter the flavour is a concept development. The Horlicks product concept was developed by James Horlicks and his brother William in Chicago, U.S.
4. **Marketing Strategy:** The product manager must first conduct a market test on the new product. It will aid in the product's later phases of refining. Three stages make up the marketing



strategy. The first phase describes the target market's size, composition, and behavior. In the second stage, the product-planned price, distribution plan, and marketing budget for the first year will be decided. The final stage outlines the anticipated long-term sales, profit objectives, and marketing mix strategy.

5. **Business Analysis:** The next stage is the analysis and evaluation of the business proposal. Business analysis is an attempt to predict the economic consequences of the product for the company as a whole. Management must examine the sales, costs, and profit projections. The management needs to analyze the demand for the product in the market. On the basis of the demand analysis, future sales can be forecasted. A complete cost analysis of the product is necessary for business analysis. Though it is not possible to estimate all the costs of the product both manufacturing and marketing costs are to be included in cost estimation.
6. **Product Development:** If the product passes business analysis, it is sent to the R&D and engineering departments where it is further developed into a physical product. This stage provides answers to product idea challenges that can be converted into a technically and financially viable product. The research and development department creates one or more physical versions of the product.
7. **Test Marketing:** Test marketing is a controlled experiment conducted in a small but carefully selected segment of the market with the goal of predicting the sales or product outcome in absolute or relative terms of one or more proposed marketing actions. The primary goal of test marketing is to learn how consumers and dealers react to handling, using, and repurchasing the actual product, as well as the size of the market. Test marketing assist assists the business in learning more about the prospective market for the product. It helps to pre-test the marketing plans of the company. It enables the business to learn more about how customers are responding. It allows the company to detect issues with the product.
8. **Commercialization:** Commercialization is the actual introduction of a product in the market on large scale. In order to launch a new product, the company must make decisions regarding the product's introduction timeline, location, target market, and method of introduction.

<b>8.4</b> <b>PRODUCT ANALYSIS</b>
------------------------------------

Product analysis helps us to comprehend the essential materials, processes, and economic decisions which are needed for the manufacturer of any product. It is vital to analyze the product after launching it in the market. SWOT analysis can be used for the analysis of the product in a simple

manner. Product analysis is done for the following reasons:

- ✓ It aids in decision-making, business strategy formulation, and competitive management.
- ✓ It is useful in making the best use of the various opportunities available.
- ✓ It aids in minimizing weaknesses and maximizing strengths.
- ✓ It is useful in replacing the product when it becomes obsolete in the market.
- ✓ Customers can use it to decide whether the product is worthwhile to purchase or not.
- ✓ It aids in the enhancement of product design.

An individual product may be the subject of a product analysis, or alternatively, a number of similar products may be compared to one another using the same standards.

## **8.5 PRODUCT CONTROLLING**

Planning and controlling are mutually exclusive. As a result, they must go alongside. Controlling is also undertaken after developing product plans in order to identify deviations and take corrective actions to control such variances. The Product Controller is in charge of this function. He checks the quality, the pricing, and, the quantity of the product, branding, packaging, labelling, and so on. The product controller also ensures that everything is in line with the rules and instructions and that the resources are being used effectively. Coordination and budgeting are required for effective resource utilization. Furthermore, proper product evaluation must be performed on a regular basis.

## **8.6 COMPONENTS OF PRODUCT PLANNING**

- 1) **Product Innovation:** Innovation is the introduction of a new idea, product, method, or thing. Without innovation, no business can exist. Due to shifting consumer behavior, interests, preferences, and styles, the market is constantly evolving. To adapt to the shifting demands of the consumer base, the company must innovate and make constant improvements to its products.
- 2) **Product diversification:** Product diversification is the growth and expansion of the company's product range in terms of shapes, sizes, designs, tastes, and other factors. The development and stability of the business are enhanced by diversification. It also increases the profits of the company. It helps in expanding the company's product portfolio's number of offerings.
- 3) **Product Standardisation:** Standardisation is the act of setting limits on the number of varieties of the product. Product standardization helps in the elimination of superfluous variations,

allowing buyers to easily select products. Product standardization makes customer selection easier. A standard is an acceptable level of quality attainment.

- 4) **Product Elimination:** A product that has no potential for revival in the market should be drained. The removal of a non-profitable product from the market is referred to as product elimination. The regular manufacture of such a product may result in significant losses. The decision to discontinue the product necessitates a critical management effort. The continuing of the defective product may harm the firm's reputation and goodwill, as well as the image of the other products.

## 8.7 PRODUCT MARKETING

After the development of the product, the next step in front of an entrepreneur is to create awareness among the target market. The product after being produced is ready to be sold out in the open market. But it is not as easy as being new to the market there is a major challenge in front of an entrepreneur of making their existence known to the general public. So, the next step is to inform the targeted customer about the product produced. This can be done through the process of marketing management that we are going to discuss ahead in this chapter.

### 8.7.1 CONCEPT OF MARKETING

The concept of Marketing is growing rapidly. According to the old concept of marketing, it mainly consists of the activities of buying and selling goods and services that affect ownership. *According to Clark and Clark*, 'Marketing consists of those efforts which effect transfers in the ownership of goods and services and which provide for physical distribution.' But this concept was product-centric rather than consumer-centric and focus on purchase and sale activities instead of creating awareness and satisfying consumers. The new concept of marketing involves discovering and understanding the needs and wants of the customer and producing goods accordingly to satisfy the needs of the intended consumer exceeding competitors' standards for customer satisfaction.

#### ***Definitions of Marketing***

*According to American Marketing Association (AMA)*, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

## 8.8 4 Ps OF THE MARKETING MIX

Marketing Mix is the collection of marketing tools that the firm utilizes to accomplish its marketing objectives in the target market. It traditionally consists of four elements namely product, price, place, and promotion also known as the "4 Ps" of Marketing Mix. These are the tools used by an entrepreneur to define the position of their products in the target market to deliver value to the customer and to convince them to buy the product by illustrating its benefits.

These four elements help an entrepreneur to develop a marketing strategy that is favorable to their business.

1. **Product:** Product refers to the tangible and intangible offerings of the business. It is an item that satisfies the consumers' needs and wants. While deciding on the product, an entrepreneur answers various questions such as:

- What will be the quality of the product?
- What features it will contain?
- What will be the design and style of the product?
- What benefits/value it will provide to the customers?
- How the branding and packing of such products would be done?

2. **Price:** Price is the consideration of customers' perceived value. It is the amount that customers pay to obtain a product or service. While deciding the price of the product following questions were considered-:

- Which pricing strategy will be followed by the business?
- What would be the reasonable and affordable price for the customer?
- What will be the discount policy?

3. **Place:** Place refers to the location where business is to be carried out. It also includes means of distribution through internal and external sources that support the smooth movement of goods and services. Activities such as production, warehousing, inventory control, and distribution, etc. take place considering various factors such as:

- Market coverage
- Channel of distribution

- Physical location
- Transportation and Warehousing decision
- Order processing

4. **Promotion:** It is the communication used to aware customers about the offering of the business and persuades them for a final purchase. Various promotional tools are used such as personal selling, sales promotion, advertising, etc. Various promotion decisions include:

- What will be the appropriate promotional mix that includes Advertising, PR, Salespromotion, and Direct marketing?
  - What will be the message communication strategy?
  - What media will be used to deliver the message to the target audience?
  - How frequently the message will be delivered?

<h2>8.9      <b>MARKETING MANAGEMENT</b></h2>
---

For a new business to be a success, an entrepreneur must understand marketing management thoroughly.

The strategies, resources, and evaluations used to market a business are referred to as marketing management. Techniques for marketing management are used by businesses to spot growth prospects and build strong relationships with fresh target markets. Marketing management coordinates advertising efforts to enhance the brand's reputation and attract potential customers.

In a nutshell, marketing management is the act of organizing, implementing, and monitoring an organization's marketing strategy.

### **Features of Marketing Management**

The important characteristics of Marketing Management consist following features:

- Marketing management is an integrative function that combines various functions of business such as production, finance, and personnel.

- Marketing Management is a managerial function that requires proper planning, organizing, and controlling of various policies, strategies, and programs prepared to achieve entrepreneurial objectives.
- Marketing management is a social function as it shapes the Behaviour of the targeted market segment by creating awareness about the latest product.

### 8.10 Marketing research

Market research forms the foundation of marketing management. Market research identifies potential growth areas for business and potential consumer issues that need to be resolved. These issues can be any unmet demand, desire for a customized product, needs for an innovative or new product, etc. Marketing research involves collecting customer data and analyzing the patterns of their purchase to determine trends to understand what consumers desire to buy and why they make those purchases. An entrepreneur needs to develop a marketing strategy around the customer experience using market research to comprehend the marketplace and identify those unmet demands, and figure out ways to take advantage of such untapped prospects.

### 8.11 MARKETING MANAGEMENT FUNCTION

1. **Promotion:** Marketing management helps an entrepreneur to promote their newly developed product in the market through several promotional activities such as digital advertising, content marketing, and public relation.
2. **Production management:** Production and marketing are two diverse functions performed by different departments. But in reality, both functions are interrelated and based on the mutual exchange of feedback. An entrepreneur can use the reviews of customers to direct the production department which in turn considers the necessary changes to provide a product desired by the customer.

3. **Selling:** Marketing management assists entrepreneurs in generating sales for their products.
4. **Pricing:** Marketing management helps an entrepreneur to develop an effective price structure for their products by considering all the relevant factors such as demand, cost, and competition that affect the price to a great extent.
5. **Funding and Budgeting:** A marketing strategy cannot be put into practice without funding and a budget. This is an important aspect of marketing management that helps an entrepreneur in obtaining funds, calculate expenses, and develop a marketing budget.

## 8.12 ROLE OF MARKETING MANAGEMENT IN ENTREPRENEURIAL DEVELOPMENT

- 1) **Helpful in meeting customers' expectations and desires:** Marketing management helps an entrepreneur to fulfill the needs and desires of the customers. Consumer demands are recognized by marketers, then accordingly marketing methods are used to meet those demands.
- 2) **Helpful for the growth and survival of business:** A business survives due to customer retention and a gain in market share, which also ensures the organization's growth and reputation. Marketing management being customer-centric emphasizes client satisfaction, and aids businesses in achieving their goals. Beyond their expectations, marketing helps to gratify customers.
- 3) **Helps in expanding the market:** Marketers employ mass communication tactics like advertising, sales promotion, event marketing, and PR to advertise their products. These campaigns help to enhance and safeguard an enterprise's brand image. Technological advancements in the field of marketing help to increase the market size.
- 4) **Adequate pricing of the products produced:** Price is a crucial component of a producer's marketing strategy. Setting reasonable rates, implementing relevant adjustments, and creating a suitable pricing strategy are all made possible by marketing tactics. Marketing management assists entrepreneurs in their pricing decision and ensures enhanced revenue sources as when prices are set favorably, the exchange process proceeds without any problems.
- 5) **Help in Generating Utility:** Marketing is mostly responsible for the generating utility of a product as it spreads information among the target market about the value and satisfaction being provided by the product. The utility is a product's capacity to meet needs. Marketing management helps to develop form, place, time, information, and utility of possession.

- 6) **Managing the Untapped Demand:** Due to the infinite population and consumer base, there is always the existence of some sort of demand which remains unmet. Skilled specialists in the marketing field who have a significant impact on the volume, and makeup of demand helps an entrepreneur fulfill such unmet needs of the customers.
- 7) **Helps to face the competition:** In today's global markets, competitive orientation is crucial. By regularly monitoring the market, marketing management helps an entrepreneur to remain in competition by maintaining harmony between consumers' expectations and rivals' offerings. It enables them to provide top-notch services and quality goods that are capable enough to meet their customers' desires and needs and provide an effective hold on market share.
- 8) **Helpful in performing social responsibilities:** Increasingly demanding customers, political pressure, and environmental deterioration have led businesses to pay more attention to social responsibility. Marketing management helps an entrepreneur represent his business in the market as a more socially responsible enterprise by continuously spreading information about the social responsibilities performed by them. Hindustan Unilever Limited, for instance, raises awareness of good hygiene in rural regions by promoting inexpensive Lifebuoy.

### **8.13 GROWTH AND DIVERSIFICATION STRATEGIES**

Due to rapid technological advancement and globalization, the world is growing continuously. Businesses are forced to expand and outperform their rivals through technological advancements and changes. Although it is a natural element of how firms operate, growth has become essential in today's fast-moving world. For an entrepreneur, one of the major challenges is to ensure the survival of the business in the cutthroat competitive market environment. To ensure long-term existence and sustainability, they need to expand the level of their business activities. This is the time 'growth' becomes the necessity of the business. To expand the business, they need to create new goods and services, explore the new untapped potential markets, and develop new strategies that support their growth process. Businesses whether international or domestic that are now operating need to do internal and external environmental analyses and decide their growth strategies based on the examined data to ensure a long-term market existence

#### **8.13.1 GROWTH STRATEGY**

An organization's growth strategy is a plan or approach utilized to accomplish the objective of business expansion and considers a variety of growth tactics to increase the size of its clientele. A



few typical expansion tactics include expanding the market size by capturing new markets, introducing new or innovative goods or services, buying other businesses, and/or entering new geographical areas. Each of these tactics has the potential to be crucial in helping firms develop quickly, profitably, and sustainably.

**8.13.1.1 CORE GROWTH STRATEGIES OF BUSINESS**

There are various growth strategies that an entrepreneur can use to enhance the level of their business. These can be better understood through the matrix provided by Igor Ansoff in 1957 also known as the ‘Ansoff Matrix’. Ansoff was a Russian Mathematician, who combines four alternatives based on two dimensions i.e. ‘Market’ and ‘Product’, and present them in the form of a matrix known as Ansoff’s growth matrix. He further publish this work as an article entitled “Strategies for Diversification” in Harvard Business Review.

This matrix provides directions to the business in selecting a specific strategy that can ensure success and long-run market survival. Ansoff divides the matrix into four strategies based on new products, existing products, new markets, and existing markets. His purposed four strategies are as follows:

		Existing Products		New Products	
		Existing Products		New Products	
Existing markets	Market penetration		Product development		
	Market development		Diversification		

**1. Market Penetration:**

This strategy involves selling an increased amount of current goods and services of the business to its current customer base. The objective is to grow market share and revenues without investing in new product development or market entry. This can be accomplished through a variety of

techniques, including:

- ✓ Modernized marketing initiatives and campaigns to attract customers such as sales promotion, loyalty schemes, etc.
- ✓ Price reductions or price cuttings to influence them to buy more.
- ✓ Enhancing features of the product and improving after-sales services.

## **2. Market Development:**

In the market penetration strategy, the focus was on the current market segment or customer base. But market development strategy considers the exploration of new markets. This growth strategy aims to increase sales by entering new markets using an organization's current goods or services. Instead of spending money on creating new products or services, the objective is to expand into new markets and increase income. Strategic partnerships, target marketing, and market research are just a few of the methods that can be used to accomplish this. While entering the new marketing a detailed analysis needs to be done including macro environment, market segments, consumer behavior and profile, and market size, etc.

## **3. Product Development:**

To expand a business, this development strategy entails developing new goods or services to promote to an existing clientele or clientele. The objective is to create novel goods or services that will create interest in consumers and increase additional income. This strategy includes market research, product creation, and customer surveys. There are several choices available in case of new product development such as:

- ✓ Launch of a new variant of an existing product in the existing portfolio. In this case, chances of acceptance by customers are greater as they already have an idea of the services and quality provided by that company or brand. The latest models of mobile phones are the best-suited example of it.
- ✓ Another way is to develop a new and innovative product using the current resources and competencies. A thorough market study is required to design a product that suits the present need of the market.

## **4. Diversification:**

Under this strategy, companies generate new revenue sources and enter a completely new market with a new product. To increase sales, businesses must expand into new areas and diversify their product and service offerings. This strategy is riskier than other strategies as the risk of failure of

the new product in the market is higher in this case.

### 8.13.2 DIVERSIFICATION STRATEGY

Diversification is described as "the entry of a firm or a business, either through internal business development procedures or acquisition, resulting in changes in administrative structure, systems, and other management processes." When a company has two or more lines of business, it is said to be diversified. Diversification is a firm growth strategy that involves beginning new businesses outside of existing markets.

#### 8.13.2.1 TYPOLOGY OF DIVERSIFICATION STRATEGY

The typology of diversification strategies can be viewed as

- i. **Concentric Diversification:** This is similar to related diversification, in which the firm pursues new items that have technological or marketing synergy with existing product lines. According to the business definition, the firm engages in an activity that is related to a client group, a customer function, or alternative technologies. For example, Philips, which is well-known in the lighting and electronics industries, expanded into communication systems, telecommunications equipment, and other areas. The basic goal of implementing the concentric diversification strategy is to gain from synergistic effects by acquiring new consumer segments. Synergy occurs as a result of the interconnections and interdependence of the combined operations, as well as the sharing of resources, capabilities, and distinct talents. The concentric diversification can be of further three types. These are
  - Market-Related Concentric Diversification- which occurs when a comparable product is offered using unrelated technology. For instance, a manufacturer of printers begins selling stationery items.
  - Technology Related Concentric Diversification- When a new type of product is offered with the use of relevant technology. For instance, a major firm in electronics expands into the field of communications technology.
  - Market and Technology Related Concentric Diversification- when a product of a similar type is offered with the aid of a related technology. For instance, the same shop sells books, maps, and calendars.
- ii. **Horizontal Diversification:** The practice of introducing new items to existing markets is referred to as horizontal diversification. In other words, the term "horizontal diversification strategy" refers to the addition of new, unrelated products or services for current clients. This method frequently yields favourable results in the current environment of intense competition. This method carries

less risk than others because the company is already familiar with its customers. When adding new items will result in a large rise in the overall revenues from the existing products, this strategy is preferable. Furthermore, if the old product is seasonal or cyclical in character, and the new product has counter-cyclical patterns, the new product will be more profitable.

- iii. **Conglomerate Diversification:** Conglomerate diversification refers to the addition of new, unrelated products or services. This strategy is similar to unrelated diversification in that it expands the organization's market and product offerings outside its current markets and products. For example, ITC, which is primarily a tobacco company, is also involved in the hotel industry, which has no goods, customers, or markets in common. In truth, there is no technological or commercial synergy between the firm's existing business and client groups, customer functions, or alternate technology. The fundamental motivation for implementing this strategy is to increase the firm's overall profitability as well as its capacity to access finance. For example, the Tata Group is India's largest conglomerate, having operations in chemicals, consumer goods, energy, engineering, and information technology.

#### 8.13.2.3 MODES OF DIVERSIFICATION

The following are the modes of diversification:

- **Internal Development**- also known as Corporate Venturing, is a corporate development strategy in which the company always pursues organic growth by using its own resources to launch new ventures.
- **Acquisition** - In this mode, the company purchases an already-existing, well-established business before starting a new one.
- **Joint Venture** - In this mode, the company forms an alliance with the partner and both of them pool their respective abilities to start up new businesses.
- **Licensing:** Licensing is a technology transfer technique in which two businesses engage in a legal agreement wherein the licensor (the selling business) permits the use of its technology, patents, designs, processes, etc. It charges a fee or royalty for the sharing of its tangible and intangible assets.

#### 8.14 Summary

Product is core of the business. Proper product planning, product analysis, will help the entrepreneur to survive in the market. Entrepreneur must have proper marketing research before launching the product or entering into any market. Marketing management will also provide insight about the

market. All the decisions regarding 4 P's are taken with the help of marketing research. Furthermore, as innovation continues, business should strive for growth & diversification. Various growth strategies can be used by entrepreneur in this context.

### 8.15 Check Your Progress

#### Long Answer Questions

- 1) What is product planning? Explain the steps involved in product planning.
- 2) Explain the objectives and significance of product planning.
- 3) What do you mean by product planning? Explain the components of product planning.
- 4) Explain the concept of marketing. Also, define the 4Ps of the marketing mix.
- 5) Write a detailed note on Marketing Management.
- 6) Enlist various functions of Marketing Management. How does it assist entrepreneurs in the development process?
- 7) How an effective strategy can help an entrepreneur to grow the business?
- 8) Define growth strategy. What are strategies available to an entrepreneur for the growth of his business?
- 9) Define diversification. What are the types of diversification strategies?
- 10) What is a diversification strategy? Explain the modes of diversification.

#### Short Answer Questions

- 1) Define product planning.
- 2) What are the objectives of product planning?
- 3) Define product analysis and controlling.
- 4) What is product development?
- 5) Define Marketing.
- 6) Write a short note on Marketing Mix.
- 7) Explain the concept of Marketing Management.
- 8) What is the role of Marketing Management in entrepreneurial development?
- 9) Define the core growth strategies of the business.
- 10) What is a diversification strategy?

## GLOSSARY

1. **Product:** A product is a bundle of utilities consisting of various features and accompanying services.
2. **Product Planning:** Product planning is the systematic development of a company's product line.
3. **Product Analysis:** Product analysis is a SWOT analysis of the product.
4. **Product Controlling:** Product controlling is an evaluation after developing product plans in order to identify deviations and take corrective actions to control such variances.
5. **Product Development:** It is the procedure for determining the viability of creating a product.
6. **Marketing:** Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit.
7. **Marketing Management:** Marketing management is the act of organizing, implementing, and monitoring an organization's marketing strategy.
8. **Marketing Research:** Marketing research involves collecting customer data and analyzing the patterns of their purchase to determine trends to understand what consumers desire to buy and why they make those purchases.
9. **Growth Strategy:** Growth strategy is a plan or approach utilized to accomplish the objective of business expansion.
10. **Diversification Strategy:** Diversification is a firm growth strategy involving beginning new businesses outside existing markets.

## SUGGESTED READINGS

- 1) Desai, Vasant (2003). Small-Scale Industries and Entrepreneurship. Himalaya Publishing House, Delhi.
- 2) Kaulgud, Aruna (2003). Entrepreneurship Management. Vikas Publishing House, Delhi.
- 3) Chandra, Ravi (2003). Entrepreneurial Success: A Psychological Study. Sterling Publication Pvt. Ltd., New Delhi.
- 4) Balaraju, Theduri (2004). Entrepreneurship Development: An Analytical Study. Akansha Publishing House, Uttam Nagar, New Delhi.
- 5) Taneja, S., & Gupta, S. L. Entrepreneurship Development-New Venture creation. New Delhi: Galgotia Publishing House.
- 6) Vasper, K. H. New Venture Strategies (Revised Edition ed.). New Jersey: Prentice Brandt, S. C. Entrepreneurship: The Ten Commandments for Building a Growth company. MacMillan Business Books.

- 7) Dollinger, M.J. Entrepreneurship: Strategies and Resources. Illinois: Irwin.
- 8) Holt, D. H. Entrepreneurship: New Venture Creation. New Delhi: Prentice Hall of India

**BACHELOR OF COMMERCE (HONS.)**  
**ENTREPRENEURSHIP DEVELOPMENT (GENERAL ELECTIVE COURSE)**  
**SEMESTER - V**

<b>UNIT IX LOGISTICS MANAGEMENT</b>
-------------------------------------

**STRUCTURES**

- 9.0 Introduction**
- 9.1 Meaning of Logistics Management**
- 9.2 Specific concept of Logistics Management**
- 9.3 Main components**
- 9.4 Features of logistics management**
- 9.5 Types of Logistics Management**
- 9.6 Nature and Scope of Logistics Management**
- 9.7 Objectives of Logistics Management**
- 9.8 Role in business enterprises**
- 9.9 Logistics vs Supply Chain Management**
- 9.10 Examples of Logistics**
  - Long Questions**
  - Short Questions**
  - Glossary**
  - References**



## **9.0 INTRODUCTION**

Logistics management refers to the process of planning, implementing, and controlling the efficient flow and storage of goods, services, and related information from the point of origin to the point of consumption. Its main goal is to ensure that the right products are available in the right quantity, at the right time, place, and cost for the end consumer. In its most basic form, logistics refers to the planning and execution of a complex operation. This can include both long and short term logistics operations. Logistics management is part of the supply chain. It involves planning, implementing, and overseeing the effective storage of goods and

Their transportation from the point of origin until the final destination. The Chartered Institute of Logistics and Transport, an international organization for supply chain, logistics and transport professionals, defines the seven Rs of logistics as -getting the right product, in the right quantity, in the right condition, at the right place, at the right time, to the right customer, at the right price.l

## **9.1 MEANING OF LOGISTICS MANAGEMENT**

Logistics Management is simply the movement of things in between the point of origin and point of final consumption. It is a term concerned with the formulation of plans, management, and implementation of processes related to the movement and storage of goods. Logistics management is a process that strategically monitors the acquirement, storage, and movement of tangible items such as material, equipment, final goods, food, and consumable items, etc. Logistics management is an efficient tool widely used by business nowadays which handles all issues related to the procurement of materials, their handling and movement along the supply chain. The managers who manage the whole complex process of logistics are termed as Logisticians. The process of logistics begins right from the moment when raw materials are acquired by the company and continue to the point of final delivery of the product to the user. The logistics management process focuses on reducing the expenses of the organization and improving service to customers by providing the right goods at right time. There are seven pillars of effective logistics:

### **1. Material sourcing:**

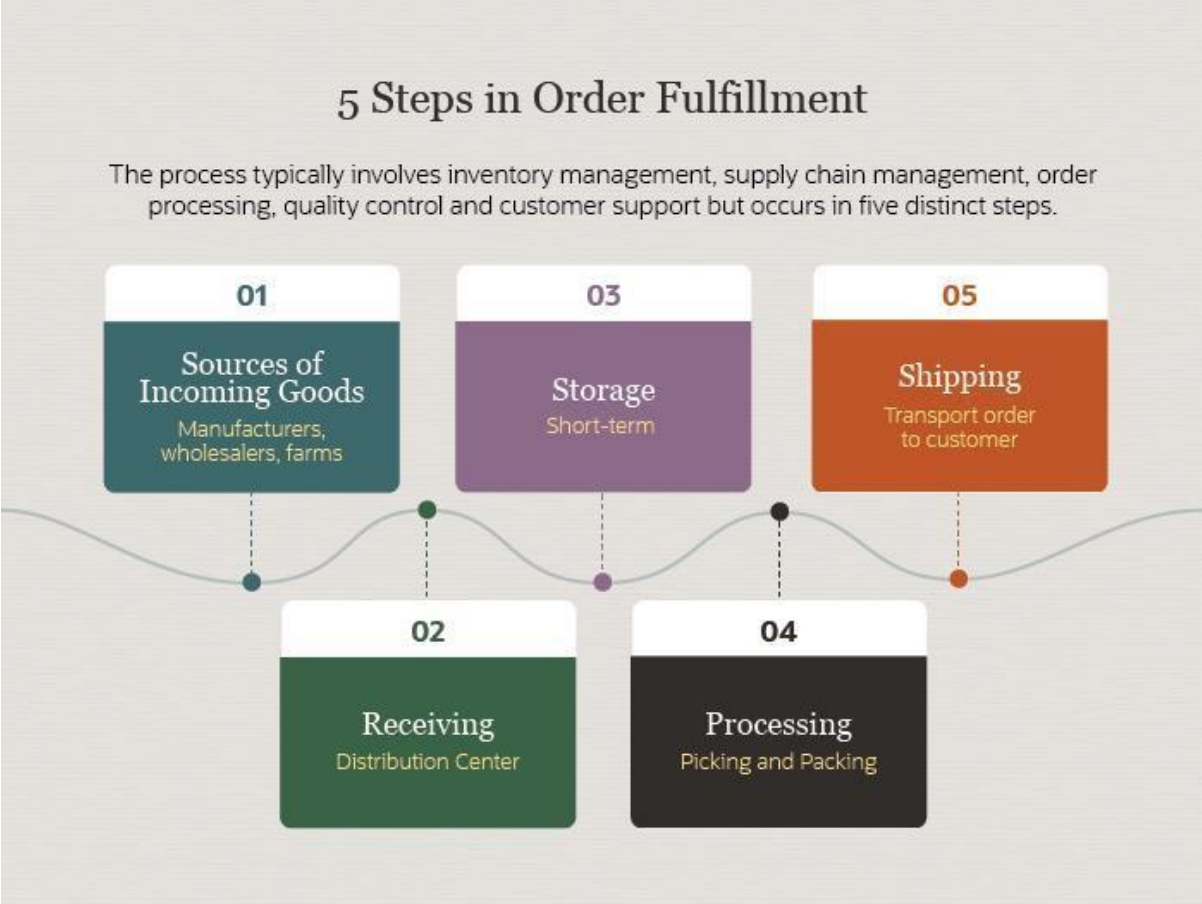
Material sourcing involves more than finding the lowest-cost supplier for a raw material used in manufacturing. Logistics includes calculating and managing contributing factors and costs, such

as backorder delays, competitor priority rankings and lockouts, add-on services costs, extraneous fees, increased shipment costs due to distance or regulatory environments, and warehousing costs.

**2. Transportation:**

At the core of logistics is the act of physically transporting goods from Point A to Point B. First, a company needs to select the best mode of shipment—air or land, and the best carrier based on cost, speed and distance, including optimizing routes that require multiple carriers. In the case of global shipments, the shipper needs to be up to speed on customs, tariffs, compliance and any relevant regulations. Transport managers need to document and track shipments, manage billing and report on performance using dashboards and analytics.

**3. Order fulfillment:**



To complete a transaction, items must be picked from the warehouse per the customer order, properly packaged and labelled and then shipped to the customer. Collectively, these processes comprise order fulfillment and are the heart of the logistics sequence in customer distribution.

#### **4. Warehousing:**

Both short and long-term storage are common parts of logistic planning. But warehouse management systems also enable logistical planning. For example, logistics planners must consider warehouse space availability and special requirements such as cold storage, docking facilities and proximity to modes of transportation such as rail lines or shipyards.

#### **5. Demand forecasting:**

Logistics relies heavily on inventory demand forecasting to ensure that a business never runs short on core or high-demand products or materials—and never ties up capital unnecessarily in warehoused goods with sluggish sales, either.

#### **6. Inventory management:**

By using inventory management techniques to plan ahead for increased demand in seasonal or trending products, companies can keep profits higher and make inventory turns faster, meaning the ratio of how many times you sell and replace inventory in a set period. Conversely, by noting slowing inventory turns on other products, a company can better determine when to offer discount pricing or other incentives to free capital to reinvest in goods that are in higher demand.

#### **7. Supply chain management:**

Logistics is an important link in the supply chain as it facilitates the movement of goods from suppliers to manufacturers and then to sellers or distributors and eventually to buyers. A supply chain is essentially a series of transactions. If logistics fails, the supply chain fails and transactions grind to a halt. A prime example: bare shelves in grocery store dairy aisles even as farmers dumped milk as supply chains broke during the pandemic

## **9.2 SPECIFIC CONCEPT OF LOGISTIC MANAGEMENT**

The actual work of logistics is supportive in nature. Logistical support is necessary for manufacturing and marketing operations. The concept of logistics is based on a total systemic view of the multitude of functions in movement of materials and goods from sources of supply to users. Accordingly, it compels management to think in terms of managing the total system;

rather than just one part of it; to facilitate the management of the organisation in its continuous search for better solutions to be implemented for its long-term improvement. The concept of logistics management could be considered as ensuring cost effectiveness, and optimum use of raw materials and stock, better transportation, and warehouse facilities so that the products can be made available at any point of time without scarcity. Various logistics management concepts could be combined into the concept of total logistics management with excellence and continuous improvement for achieving a competitive advantage. Some of the specific concepts and assumptions for better logistics management are briefly discussed below:-

- 1. Lean Logistics Management** - Lean logistics management is a business management philosophy that considers the expenditure on resources utilized for the achievement of any goal other than the creation of value for the end customer. It is a process that recognizes and eliminates wasteful activities from the supply chain. It highlights concepts such as value, flow, waste, and excellence/perfection. It attempts to define a well – designed supply chain that operates and delivers products to the end customer with minimum wastage. **It aims at reduction of wastage of resources in the organisation.**
- 2. Agile Logistics Management** - This encompasses tools, techniques, and initiatives that enable an organisation to thrive under conditions of unpredictable change. Agile logistics management enables achieving rapid response to customer needs, along with the ability to quickly reconfigure operations to respond rapidly to unforeseen shifts in the marketplace. It may incorporate -mass customizationll concepts to satisfy unique customer requirements and includes the ability to react quickly to technical or environmental exigencies. **Agile logistics management is concerned with doing things quickly, saving costs, being responsive to market demands, maintaining flexibility and high productivity.** *Whereas lean-based management concentrates on generating maximum output value by reducing waste, agile management focuses on increasing efficiency and flexibility to adjust to the customer needs as quickly as possible.* The basic advantages of agile logistics management are working towards prompt and effective response to the customer needs in the changing market, ability to adjust and deliver the products according to the customer needs, produce and deliver new products while

optimizing costs, decreasing manufacturing costs, increasing customer satisfaction, higher competitiveness, and reduction of those processes which add no value.

**3. Resilient Logistics Management** -The resilient logistics management concept is a constantly developing branch in management studies. It is defined as the system's ability to return to its initial state or a new or desired state after the elimination of unproductive or negative processes that influence the system. The resilience is strongly related to risk within the entire supply chain and the enterprise. **The four keypillars of resilient logistics management are visibility, flexibility, collaboration, and control.**

**4. Green Logistics Management** -Green logistics management concept is pro- ecological and directly stems from the deteriorating environment conditions reflected in lower supply of raw materials, excessive waste, and increased pollution levels. It is a natural consequence of the evolutionary change in manufacturing companies which replaced a reactive approach to environment management approach with a proactive one. Green logistics describes all attempts to measure and minimize the ecological impact of logistics activities of organisations. Its characteristics are:

ReduceRe-se Rework

Green logistics management concept blends environment management and logistics management. This focuses on multiple approach to product design which takes into consideration issues of environmental risk management, occupational health and safety, rational materials use or waste reduction. It focuses on goods manufacturing and distribution that promotes sustainable development which takes social and environmental factors into cognizance. Sustainable logistics is a key element in the development of environmentally conscious supply chain design. For example, any organisation making efforts to minimize the emissions and energy consumption of transportation in moving its supplies by use of electric vehicles is adapting green logistics.

**5. Total Logistics Management**-Total Quality Management is an approach in which managers constantly communicate with organizational stakeholders to emphasize the importance of continuous quality improvement that forms the basis of the concept of total logistics management.

a) Logistic quality guarantees customer satisfaction and continuous logistic

quality improvement.

- b) The pursuit of logistic partnership is based on professionalism and trust.
- c) The safety and security assurance for people and goods and information flows.
- d) The pursuit of ‘one click’ activities implementation based on flow processes, automation and computerization.
- e) Sustainable logistics development ensures an organization's impact on its environment, in an appropriate and effective manner.
- f) Logistics management based on product logistic efficiency is the foundation to secure effective and efficient goods and information flow.

### **9.3. MAIN COMPONENTS**

Logistics comprises five essential components. Logistics companies are responsible for executing each one of these components to the highest degree of accuracy. Here are the five key components of any logistician's job.

#### **1. Demand planning**

To guarantee customer order fulfilment; demand planning is an essential logistics function. By ordering merchandise in the correct quantities and at the right price and mobilizing suitable transport, customer demand is met and profits protected.

#### **2. Storage and materials**

Because demand is unpredictable, it's important to have surplus goods on standby until consumers demand them. Warehouses are responsible for the storage, care, retrieval, packaging, and unitization of merchandise. Warehouse management systems (WMS) optimize storage capacities, equipment (forklifts, for example), retrieval speeds, and warehousing processes.

#### **3. Inventory management**

Inventory management controls the flow of goods in and out of a warehouse. It dictates how much stock to hold and where to locate it using targeted data to predict consumer demand.

#### **4. Transportation management**

Logistics involves mobilizing different modes of transport to move merchandise from one stage of

the supply chain to the next. Merchandise might need to travel via road vehicles, freight trains, shipping, or even air travel for long-distance supply chains using transportation management software.

Consolidation is the process by which shipping companies or carriers combine multiple smaller shipments in one. This speeds up deliveries and keeps costs low.

## 5. Control

Logistics is a complex operational procedure that requires a lot of precise information to be effective. Forecasting demand, transportation times, and inventory are crucial to keeping the operations to a tight timescale.

In its most basic form, logistic components are:

- a) Intake from suppliers and material handling;
- b) Labeling, packaging into smaller units, organization and warehousing;
- c) Inventory management for production or distribution;
- d) Demand planning;
- e) Order fulfillment; and
- f) Transport.

### 9.4 FEATURES:

**1. Integrated Management:** It involves coordinating and managing various activities such as procurement, production, packaging, transportation, warehousing, and distribution.

**2. Systematic Approach:** It follows a systematic procedure of activities to ensure goods are moved efficiently.

**3. Customer Service:** One of its primary objectives is to provide superior customer service, ensuring the timely and correct delivery of goods.

**4. Cost Efficiency:** Cost management is crucial in logistics. Activities should be carried out in the most cost-effective way without compromising quality.

**5. Flow of Movement:** Logistics deals with the movement of goods and services, and efficient flow is critical to prevent any delays or blockages.

**6. Warehousing:** Provides storage solutions to ensure goods are stored correctly and can be retrieved efficiently.

**7. Transportation Management:** Choosing the most effective mode of transportation, considering factors like cost, delivery time, and product nature.

**8. Information Management:** Effective logistics requires an efficient information system to track goods, manage inventory, and provide data for decision-making.

**9. Continuous Improvement:** Logistics management continuously evolves based on technological advancements, consumer demands, and business needs.

**10. Risk Management:** Identifying potential risks and developing strategies to mitigate them is crucial in logistics.

## **9.5 TYPES OF LOGISTICS MANAGEMENT**

**1. Procurement Logistics:** Procurement logistics is concerned with the procurement of raw materials and equipment needed for carrying out production activities. It is one which formulates plans, acquires, and coordinates various materials that are needed at a particular

Time and particular place for the production of goods. Procurement logistics include the storage of materials and moving them to the place where ever they are needed. It also examines the supply level at distinct stages of the production process to ensure that consumer needs are met timely.

**2. Production Logistics:** Production logistics involves combining the various distributed supplies to form a product. It coordinates all activities together to create what is needed. This involves management of various operations like procuring parts, distributions within the organization, management of product, its packaging and dispatch to warehouse. It aims at optimizing the whole manufacturing process by proper coordination of all stages involved in production of goods. All materials are timely made available at place of work for creation of products.

**3. Sales Logistics:** Sales logistics manages the operation related to movement of products from warehouse to wholesalers, retailer and consumer. It encompasses all those activities that ensure



that goods reach the users at right time and at right place. Customer satisfaction is given due importance and attention is paid on delivering good in right form at low expenses.

**4. Recovery Logistics:** Recovery logistics involves movement of goods in reverse order that is from end consumer back to the producer. It manages all activities related to movement of unused products that are not needed by customer or do not meet its requirements. Recovery logistics focuses on cost-efficient transportation of goods from consumption point to origin point for the motive of recovering value and proper disposal. Value is recapture through reuse, scrap recycling, rework and refurbishment.

**5. Recycling Logistics:** Recycling statistics is concerned with recovering of recyclable products from customers for reusing them. It collects items such as empty cans, containers, used papers, empty plastic bottles, old computers, packing and ink cartridges. The role of recycling logistics is increasing nowadays as an effort to conserve environment by avoiding wastage via re-utilizing materials.

**6. Inbound Logistics-** The inbound logistics process is responsible for receiving, storing and moving the product shipped from the supplier or manufacturer to an organization's warehouse. The inbound logistics manager is mainly concerned with receiving, storing, shipping, stocking and issuing goods within the warehouse.

**7. Outbound Logistics-**Outbound logistics involves planning and shipping goods from a business's location to the customer's location. The third-party service providers, like courier services and logistic firms, are also involved. The outbound process begins with order processing and ends with the delivery of goods to the customer. It includes expediting, transportation management, warehousing, picking, sorting and packing goods for shipments.

**8. Third-Party Logistics (3PL)-**Third-party logistics providers include freight forwarders, air and ocean carriers, 3PL service providers and more. The primary objective of 3PL is to manage customers' logistics activities and ensure that goods are delivered on time. Many businesses don't want an internal logistic function and rely entirely on third-party logistics to manage their supply chain processes.

**9. Reverse Logistics-**Reverse logistics is the process of returning products to the seller after they've reached the end-user. For instance, if a product has reached a customer's location and is

found to be defective, the reverse logistics process begins with returning goods to the supplier, manufacturer or retailer. The reverse logistics process may also involve returning goods to the manufacturer for rework or refurbishing before shipping them back to the customer.

## 9.6 NATURE AND SCOPE OF LOGISTICS MANAGEMENT

1. **Network Design:** Network Design is one of the prime functions performed by process of logistic management. Logistic manager properly designs a network that denotes the number and location of production plants, storage houses, equipment for handling of materials etc. These factors are key determinants of efficiency of logistics and need to be decided with due attention.
2. **Procurement:** Logistics management monitors the procurement of required materials and equipment for supporting manufacturing process of organization. It identifies supply sources, places order, manages inbound transportation, collect, inspect and store materials. All required raw materials of right quality are provided at right time at a minimum cost.
3. **Material Handling:** Logistics management involves proper handling of all materials within organization like raw-materials, equipment's, semi-finished and final goods. They need to be properly handled within and outside the manufacturing plant, storage house and transportation terminal. Managers need to ensure that there are no losses arising out of breakage, spoilage etc.
4. **Order Processing:** Processing of consumer order is an important aspect of logistics management. It ensures that all order are timely processes and performs various operations like receiving, handling and recoding of consumer orders. Logistics management process focuses on reducing the time gap in between the order receipt and dispatch of consignment. It pays attention on fast processing of order and any delay in execution of order is avoided.
5. **Inventory Management:** Logistics managers manage all the inventories of materials in right way. Proper amount of inventory is maintained at every point of time to facilitation uninterrupted production and regular supply of goods to consumers. Efforts are made to avoid any blockage of working capital in inventory. Overstocking and under stocking of inventory is prevented and an optimum amount is always maintained.
6. **Packaging:** Packaging and labeling are very important in logistics management.

Packaging involves encasing products in proper packets for its safety and convenient handling. It makes product attractive and facilitate its sales. Labelling is a process of giving identification marks to product and defines its packaging and expiry date, ingredients, price, weight or size of product and instruction for proper handling.

7. **Warehousing:** It is a logistical operation which aims at creating time utility by safe storage of products from the time in-between production point to consumption point. Logistic managers properly decide number and location of all warehouses to be established by company for proper storage of its products.
8. **Transportation:** Transportation is a logistical activity which refers to movement of goods within and outside the organization. It creates time utility by delivering goods at right time and in right order. Railways, roadways, waterways, airways and pipeline are major sources of transportation used. Logisticians choose a right source of transportation by analyzing them in terms of their cost, speed, reliability, safety and no of its locations.

## **9.7 OBJECTIVES OF LOGISTICS MANAGEMENT**

1. **Increased efficiency:** Logistics management aims at increasing the overall efficiency of organization. It fastens all inbound and outbound logistics activities to accomplish the project within the stipulated time. Best quality materials are acquired at lowest possible cost and utilize efficiently with minimum wastage. Logistic managers monitor all operations and avoid any overheads which enhance the overall efficiency.
2. **Reliable and consistent delivery performance:** Process of logistics management focuses on providing on-time delivery to customers for building their confidence level. Transport mode is selected through proper planning and required materials are transported rapidly to production plant for timely completion of project. Faster Delivery of goods at right place to consumer will enhance their satisfaction.
3. **Minimum product damage:** Products damage adds cost to logistical expenses and has adverse effect on overall profitability. Logistic managers ensure that products are properly encased in suitable packages which impart them safety, properly handled and use of load unitization. Proper monitoring of all product movements by managers will minimize product damages.
4. **Reduce transportation cost:** Logistic management process focuses on reducing the freight charges which bring down the logistical cost. Managers tries to lower the

transportation expenses by choosing efficient transportation source, planning of shortest route, freight consolidation and load unitizing.

5. **Quick response:** It reflects the capability of firms to serve its customers in proper manner timely. There should be a strong communication process which enables customers to easily give their orders and report their issues. Companies by implementing latest technology in information processing system will improve their decision making capability. It would make them flexible enough to fulfill their consumer needs in great volumes in proper time.
6. **Inventory reduction:** Maintaining optimum inventory is must for smooth function of business. Logician's aims at reducing the inventory level by rapidly processing all orders as excess inventory level leads to blockage of firm's capital. Efforts are made to bring down the inventory level to minimum possible level by making frequent supplies, purchasing materials and producing products in an adequate amount.

## **9.8 ROLE IN BUSINESS ENTERPRISES:**

**Enhances Customer Satisfaction:** Efficient logistics ensures timely delivery and better service quality, leading to increased customer satisfaction.

**Cost Savings:** Effective logistics management can lead to significant cost savings, especially in transportation, warehousing, and inventory management.

**Competitive Advantage:** Efficient logistics systems can offer businesses a competitive edge in terms of pricing, delivery time, and service quality.

**Inventory Management:** Reducing the amount of held inventory can free up capital and reduce wastage. Logistics management ensures optimal inventory levels are maintained.

**Scalability:** As a business grows, so does its logistics requirements. Effective logistics management allows businesses to scale up or down based on market demands.

**Facilitates Global Expansion:** With a robust logistics system, businesses can expand to new markets and regions seamlessly.

**Supply Chain Efficiency:** Logistics is a key component of the supply chain. Effective logistics ensures the entire supply chain operates smoothly, from suppliers to end customers.

**Flexibility:** Effective logistics management allows businesses to adapt quickly to changing circumstances, be it sudden demand spikes, supply chain disruptions, or other challenges.

**Minimized Delays:** Efficient logistics reduce the chances of delays in production and distribution, ensuring that products reach the market on time.

**Sustainability:** Modern logistics management emphasizes sustainable practices, which can help businesses reduce their carbon footprint, waste, and environmental impact.

In conclusion, logistics management is a pivotal aspect of business operations that can significantly influence an enterprise's profitability, customer satisfaction, and growth potential. An efficient logistics system can enable businesses to meet customer demands effectively, scale operations, and remain competitive in the global marketplace.

## 9.9 Logistics vs. Supply Chain Management

Logistics deals with the movement of goods from a single company's perspective, meaning the movement of materials and goods one company receives and manages internally as well as when it moves those goods to a customer. A supply chain is a network of businesses involved sequentially in the production or distribution of goods or services. In short, logistics is generally a one company issue while the supply chain is a multi-company issue.

While logistics may be coordinated throughout part of or even the entirety of the supply chain, each segment is the responsibility of one entity until it hands off the material or product to another entity in the supply chain.

## 9.10 Examples of Logistics

Logistics best practices vary depending on the nature of the business and its product decisions. Consider the variances in the following examples.

A **manufacturer** bases its business model on a just-in-time inventory management system that aligns receipt of raw materials with production schedules so there is little need to pay for storage and a company's capital is continuously freed for reinvestment. Its logistics priorities include demand planning, selecting suppliers that consistently deliver on time and on budget,

fast intake of materials upon arrival and efficient material handling. Once final goods are manufactured, priorities shift to packaging the finished product and transporting it to distributors, wholesalers, retailers or other customers. Manufacturers need to manage true end-to-end logistics from procurement to receipt to manufacturing to packaging, storage and transportation to a buyer.

If the manufacturer has a direct-to-consumer model, it may use a supply chain as a service provider to get its products to the end customer.

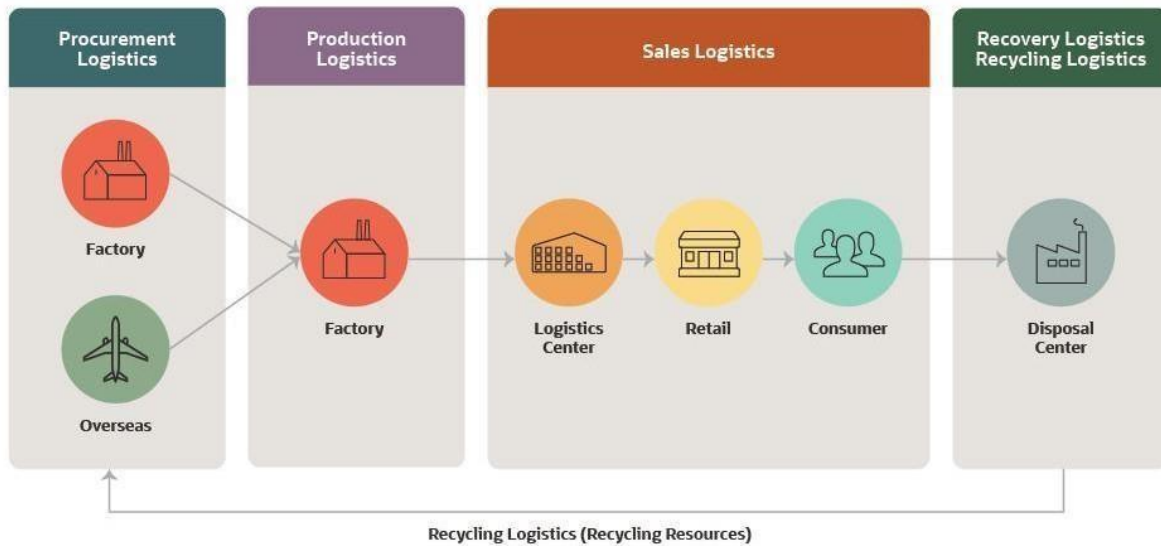
**In the second example**, a boutique clothing store orders stock from designers and manufacturers. Finished goods arrive at the retailer's main distribution warehouse for intake. The items are first unitized—broken down from bulk commercial packaging to individual consumer packages. Barcodes are added, then items are sorted, packaged and shipped to the store or a nearby warehouse. Logistics for the retailer begins with intake of goods and continues through the movement of those goods to their final destinations, which in this case is a brick-and-mortar store, not the final customer.

In a second retail scenario, some or all of the goods are sent to an order-fulfillment center, where they are processed and shipped to the end customer, who likely made the purchase

Online. In this scenario, logistics entails the retailer receiving the goods it ordered from suppliers, unitizing them and storing them in the fulfillment center's storage onsite to be sorted per customer order and then shipped by a third-party logistics supply company, such as UPS, FedEx or USPS.

In a third scenario, the retailer redistributes its in-store inventory to other stores where demand for the product is higher to avoid discounting and taking a hit to profits. Or, the retailer may know from its analysis that demand is sluggish everywhere for certain products. In that case, the more quickly it marks the stock down or sells to a retail discounter at a reduced bulk price the more likely it is to recoup much of its investment. Logistics in this scenario entail inventory control, demand planning, pulling, packing and shipping products between stores, moving some items to sales racks, and shipping a bulk distribution in a transaction with a third-party seller.

If the retailer declares some remaining product as too costly to sell, because demand is too low at any price, then logistics would also include transport of these items to a charity for a tax write-off. If some of that product is also damaged, the retailer's logistics manager would transport it to a disposal site.



## 9.11 Check Your Progress

### Questions:

1. What is logistics management?
2. What are the key objectives of effective logistics management?
3. How does transportation impact logistics operations?
4. What is the role of inventory management in logistics?
5. What do you understand by green logistics management?
6. What are the primary challenges in global supply chain logistics?

### Long Questions:

1. Describe the main components of a logistics system and how they interact to ensure smooth operations within a supply chain.
2. How do companies select the most suitable transportation modes for their products? Discuss the factors that influence this decision-making process.

3. Compare and contrast the roles of a warehouse and a distribution center within the context of logistics. What functions do they serve, and how do they contribute to overall efficiency?
4. Discuss the importance of technology, such as warehouse management systems and tracking software, in optimizing logistics processes. Provide examples of how technology can enhance visibility and decision-making.
5. In a global logistics context, explain the concept of Incoterms (International Commercial Terms) and their significance in determining the responsibilities of buyers and sellers in international trade transactions.
6. Analyze the environmental impact of logistics operations and the growing emphasis on sustainable logistics practices.
7. What strategies can companies adopt to reduce their carbon footprint while maintaining operational efficiency?
8. Describe the concept of reverse logistics and its significance. Provide examples of situations where efficient reverse logistics processes can add value to a company's operations.
9. Discuss the potential disruptions that can affect a supply chain, such as natural disasters, geopolitical events, and economic fluctuations. How can companies proactively manage and mitigate these risks?
10. Explore the concept of outsourcing logistics services. What are the benefits and challenges of outsourcing, and under what circumstances might it be a suitable strategy for companies?

## GLOSSARY

1. **Logistics:** The process of planning, implementing, and controlling the efficient flow and storage of goods, services, and information from the point of origin to the point of consumption.
2. **Supply Chain:** The network of organizations, processes, activities, and resources involved in moving goods and services from suppliers to customers.
3. **Inventory:** The stock of goods or materials maintained by a business for production, sales, or future use.



4. **Warehousing:** The process of storing goods in a facility until they are needed for distribution or consumption.
5. **Distribution:** The process of delivering products from the manufacturer or supplier to the end customer through various channels.
6. **Transportation:** The movement of goods from one location to another using various modes such as trucks, ships, airplanes, or trains.
7. **Demand Forecasting:** The estimation of future customer demand for products or services to optimize inventory levels and meet customer needs.
8. **Order Processing:** The series of steps involved in receiving and fulfilling customer orders, including order entry, picking, packing, and shipping.
9. **Lead Time:** The time it takes for an order to be processed, produced, and delivered to the customer.
10. **Reverse Logistics:** The process of handling returned products, including repairs, recycling, and disposing of products in an environmentally friendly way.

## Reference

- Logistics Management by Ganapathi (Author), Nandi (Author)
- Supply Chain Logistics Management by Bowersox (Author)
- Logistics Management , by V.V Sople (Author)
- Supply Chain And Logistics Management by Shaila Bootwala (Author)

## **UNIT- 10**

### **ROLE OF E-COMMERCE AND M-COMMERCE IN PROMOTING SMALL BUSINESS. SMALL BUSINESS AND MODERN TECHNOLOGY**

- 10.0 Introduction to E Commerce**
- 10.1 Significance of E Commerce**
- 10.2 Scope of E Commerce**
- 10.3 Advantage and Disadvantage of E-Commerce**
- 10.4 Mobile Commerce**
- 10.5 Types of M-Commerce**
- 10.6 Advantages and Disadvantages of Mobile Commerce**
- 10.7 Applications of Mobile-Commerce**
- 10.8 Role of E-Commerce and M-Commerce in Promoting Small Business**
- 10.9 Conclusion**
- 10.10 Case studies of Small Business and Technology**
- 10.11 Check Your Progress**
  - Short Questions**
  - Long Questions**
  - Glossary**
  - References**

## **10.0 INTRODUCTION TO E COMMERCE**

The term Electronic commerce (or e-Commerce) refers to the use of an electronic medium to carry out commercial transactions. Most of the time, it refers to the sale of products via Internet, but the term E commerce also covers purchasing mechanisms via Internet.

**E commerce**, also known as **electronic commerce** or internet **commerce**, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. E commerce provides better connectivity for all the potential candidates all over the globe, thus helping in enhancing the business without any geographical barriers. From the view point of the customer, E commerce is a good platform for hassle free shopping by sitting in your home. The customer can browse through all the products and services available and can review and compare the prices of the similar products available in the online space. In global market scenario, the emergence of E commerce as a forerunner has opened up various windows of opportunities for a variety of online companies and investors. More and more resources are being directed into electronic securities, internet facilities, business plans and new technologies due to the boom in the space of E-commerce. As a result various new markets have emerged from E commerce itself giving a boost to the global market.

### **10.1 SIGNIFICANCE OF E COMMERCE**

E-commerce or Electronic commerce is the buzzword of the modern day. In simple terms, it's just buying and selling of product and services through internet. But in a broad sense, it includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. With the widespread usage of internet, the sphere of E commerce has widened dramatically.

Today E commerce is an integral part of business because of various reasons like:

1. Ease of use
2. Accessibility all across the globe
3. Great variety & easy comparison of products from different vendors

4. Trusted payment channels
5. Shopping can be done sitting in the convenience of home shopping, hence it is less time Consuming.

## **10.2 SCOPE OF E COMMERCE**

**Electronic Commerce** is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services.

India has witnessed a major breakthrough E-commerce success stories particularly in **e- retail in Consumer Electronics & Fashion Apparel & Home Furnishing segments**. E-Commerce creates new opportunities for **entrepreneurial start-ups**. Ease of Internet access, Safe and secure payment modes coupled with aggressive marketing by E- Commerce Giants has revolutionized this segment. Rapid development in mobile technology has given way to **Mobile Commerce** with many E-Commerce companies shifting to App only model.

## **10.3 ADVANTAGE AND DISADVANTAGE OF E-COMMERCE**

E-Commerce advantages can be broadly classified in three major categories

1. Advantages to Organizations
2. Advantages to Consumers
3. Advantages to Society

### **Advantages to Organizations**

1. Using e-commerce, organizations can expand their market to national and international markets with minimum capital investment. An organization can easily locatemore customers, best suppliers, and suitable business partners across the globe.
2. E-commerce helps organizations to reduce the cost to create process, distribute, retrieve and manage the paper based information by digitizing the information.
3. E-commerce improves the brand image of the company.
4. E-commerce helps organization to provide better customer services

5. E-commerce helps to simplify the business processes and makes them faster and efficient.
6. E-commerce reduces the paper work.
7. E-commerce increases the productivity of organizations. It supports "pull" type supply management. In "pull" type supply management, a business process starts when a request comes from a customer and it uses just-in-time manufacturing way.

#### **Advantages to Customers**

1. It provides 24x7 support. Customers can enquire about a product or service and place orders anytime, anywhere from any location.
2. E-commerce application provides users with more options and quicker delivery of products.
3. E-commerce application provides users with more options to compare and select the cheaper and better options.
4. A customer can put review comments about a product and can see what others are buying, or see the review comments of other customers before making a final purchase.
5. E-commerce provides options of virtual auctions.
6. It provides readily available information. A customer can see the relevant detailed information within seconds, rather than waiting for days or weeks.
7. E-Commerce increases the competition among organizations and as a result, organizations provides substantial discounts to customers.

#### **Advantages to Society**

1. Customers need not travel to shop a product, thus less traffic on road and low air pollution.
2. E-commerce helps in reducing the cost of products, so less affluent people can also afford the products.
3. E-commerce has enabled rural areas to access services and products, which are otherwise not available to them.
4. E-commerce helps the government to deliver public services such as healthcare,

education, social services at a reduced cost and in an improved manner

### **The disadvantages of E-commerce**

E-commerce can be broadly classified into two major categories

1. Technical disadvantages
2. Non-Technical disadvantages

#### **Technical Disadvantages**

1. There can be lack of system security, reliability or standards owing to poor implementation of e-commerce.
2. The software development industry is still evolving and keeps changing rapidly.
3. In many countries, network bandwidth might cause an issue.
4. Special types of web servers or other software might be required by the vendor, setting the e-commerce environment apart from network servers.
5. Sometimes, it becomes difficult to integrate an e-commerce software or website with existing applications or databases.
6. There could be software/hardware compatibility issues, as some e-commerce software may be incompatible with some operating system or any other component.

#### **Non-Technical Disadvantages**

7. **Initial cost** – The cost of creating/building an e-commerce application in-house may be very high. There could be delays in launching an e-Commerce application due to mistakes, and lack of experience.
8. **User resistance** – Users may not trust the site being an unknown faceless seller. Such mistrust makes it difficult to convince traditional users to switch from physical stores to online/virtual stores.
9. **Security/ Privacy** – It is difficult to ensure the security or privacy on online Transactions.
10. Lack of touch or feel of products during online shopping is a drawback.

11. E-commerce applications are still evolving and changing rapidly.
12. Internet access is still not cheaper and is inconvenient to use for many potential customers, for example, those living in remote villages.

**E-commerce** is about much more than marketing or selling. It **impacts** significantly on all the functional areas of a **business**. The largest and most-successful **e-commerce** businesses have invested hugely over many years to develop their IT systems, **business** processes and capabilities.

#### **10.4 MOBILE COMMERCE**

M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smartphones and tablets. As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer. Examples of m-commerce include purchasing, mobile banking, virtual marketplace apps like the Amazon mobile app or a digital wallet such as Apple Pay, Android Pay and Samsung Pay. Over time, content delivery over wireless devices has become faster, more secure and scalable. As of the use of m-commerce accounted for 34.5% of e-commerce sales. The industries affected most by m-commerce include:

1. Financial services, which includes mobile banking (when customers use their handheld devices to access their accounts and pay their bills) as well as brokerage services, in which stock quotes can be displayed and trading conducted from the same handheld device.
2. Telecommunications, in which service changes, bill payment account reviews can all be performed from the same handheld device.
3. Service and retail, as consumers are given the ability to place and pay for orders on-the-fly.
4. Information services, which include the delivery of financial news, sports figures and traffic updates to a single mobile device.

#### **10.5 TYPES OF M-COMMERCE**

M-commerce can be categorized by function as either mobile shopping, mobile banking or mobile payments. Mobile shopping allows for a customer to purchase a

product from a mobile device, using an application such as Amazon, or over a web app. A subcategory of mobile shopping is app commerce, which is a transaction that takes place over a native app. Mobile banking includes any handheld technology that enables customers to conduct financial transactions. This is typically done through a secure, dedicated app provided by the banking institution. Mobile payments enable users to buy products in-person using a mobile device. Digital wallets, such as Apple Pay, allow a customer to buy a product without needing to swipe a card or pay with physical cash.

### **How mobile commerce works**

With most m-commerce enabled platforms, the mobile device is connected to a wireless network that can be used to conduct online product purchases. For those in charge of developing an m-commerce application, important KPIs to monitor include the total mobile traffic, total amount of traffic on the application, average order value and the value of orders over time. Similarly, tracking the mobile add to cart rate will help developers see if users are becoming customers. M-commerce developers may also be interested in logging average page loading times, mobile cart conversion rates and SMS subscriptions. In terms of mobile payment products specifically, they operate through a form of peer-to-peer (P2P) sharing. Once a mobile device is paired with a bank card's information, the phone can be waved over a payment terminal to pay for a product. This contactless payment using a mobile device is possible due to the use of Near Field Communication (NFC).

## **10.6 ADVANTAGES AND DISADVANTAGES OF MOBILE COMMERCE**

### **Advantages**

1. Added customer retention by being more easily accessible.
2. More convenience for customers in comparing prices, reading reviews and making purchases without the need of a desktop computer.
3. Wider variety of products and services.
4. Automates a businesses' point of customer contact and sales.
5. It provides a very convenient and easy to use the system to conduct business



transactions.

6. Mobile commerce has a very wide reach. A huge part of the world's population has a
7. Mobile phone in their pocket. So the sheer size of the market is tremendous.
8. M-commerce also helps businesses target customers according to their location, service provider, the type of device they use and various other criteria. This can be a good marketing tool.
9. The costs of the company also reduced. This is due to the streamlined processes, now transaction cost, low carrying cost and low order processing cost as well.

### **Disadvantages**

1. A poorly executed mobile experience can deter customers from making purchases.
2. Mobile payment options are not available in every geographic location and may not support every type of digital wallet.
3. Businesses must know and comply with tax laws and regulations of all countries they ship to (some businesses will avoid this by only allowing purchases and shipping from their country of origin).
4. The existing technology to set up an m-commerce business is very expensive. It has great start-up costs and many complications arise.
5. In developing countries, the networks and service providers are not reliable. It is not most suitable for data transfer.
6. Then there is the issue of security. There are many concerns about the safety of the
7. customer's private information. And the possibility of a data leak is very daunting.

### **10.7 APPLICATIONS OF MOBILE-COMMERCE**

Mobile commerce has entered into finance, retail, telecommunication, healthcare, information technology, sales and services. Need for M-commerce has increased multi- fold in recent times. Some of the applications of mobile commerce are briefly discussed below.

#### **Applications of M-Commerce**

## **1. M-Commerce for finance**

The customer (using the mobile) can pay from their bank account using mobile commerce facilities. Mobile users can transfer funds between account or receive any information related to finance from financial institutions or banks. WAP based mobile devices allow the user to access the internet or the website of the financial institutions.

For example, a user of the credit card gets reminded from the institution stating the amount of outstanding balance, minimum amount due and the due date. Likewise, when the customer pays through cheque or when the payment is made by him, the institution sends an acknowledgement through SMS stating the amount that has been received by the institution.

For example, ICICI Bank has launched iMobile. iMobile allows the customers to carry out all internet banking transactions through mobile phones. Customers can transfer funds to ICICI and non ICICI Bank accounts with the help of their mobile. It allows customers to request for a cheque book or stop payment of a cheque through mobile device. Customers can also pay their utility bills through this facility. It allows them to know their transaction details and payment due dates through mobile phones.

The M-Commerce is very much prevalent in stock broking services. The user can access the stock market quotes. The share brokers send details about the market trends to client and offer some tips for trading. After receiving the information, the client responds or gives instructions to the stock broker. Such transaction takes place either in his/her form of SMS or call.

## **2. M-Commerce for Retail and After sale Services**

Companies can also make online catalog of products so that the mobile users can access the catalog from their mobile devices. Customers are able to shop, place orders or hire services and pay for dues through mobile phones.

## **3. M-Commerce and Mobile Marketing**

It is easy for business organizations to send text messages to promote a new product

or carryout any form of promotional campaign. For example, Reliance Fresh sends the customer an SMS stating the reward points earned by them when they purchase goods from Reliance. Even if some changes are brought in providing reward points, they are informed to the customer in order to encourage sales.

#### **4. M-Commerce and Mobile Ticketing**

Airline tickets can be purchased through mobile phone. It also enables users of mobile phone to make changes in their tickets. For example, With “flybuy SMS” launched by Kingfisher Airlines and paymate, customers can get the details of Kingfisher airlines flights by sending SMS. The customer can book the ticket after receiving a reply. Besidethe above, movie tickets can also be booked through mobile phones.

#### **5. M-Commerce and Mobile Entertainment**

Mobile terminal acts as a portable music player. Downloading ringtones has become successful m-commerce application. Mobile phone manufacturers and wireless providers are making good money by selling different kinds of customized ringtones.

#### **6. M-Commerce for Hotel Reservations**

Using mobile devices, customer can reserve for restaurants and hotels according to their needs.

#### **7. M-Commerce in Healthcare and Medicine**

Wireless services are used in healthcare and medicine for billing, lab ordering, referrals, prescriptions and clinical decisions. For example, in United States, healthcare professionals are able to obtain patient information from any location by getting connectedwirelessly to the hospital’s information system. They are able to access the pharmaceuticalinformation of patients and provide better patient care.

#### **8. M-commerce for Intra-Office Communication**

Sales personnel, who are always on the move, may need to access to the company information system to check price of products. But mobile allows the traveling sales personnel to track inventory and maintain communication with seniors at ease.

Travelingsalesmen do not have to wait for long to get approval from the seniors. Any information could be transferred easily and quickly with the help of mobile devices. It removes barriersin intra-office communication.

## 9. M-Commerce for Information

Mobiles enable customers to get information like sport news or political news of their choice. For example, today through SMS, students are able to check their university resultsor public examination results.

## 10.8 ROLE OF E-COMMERCE AND M-COMMERCE IN PROMOTING SMALL BUSINESS

E-commerce (electronic commerce) and m-commerce (mobile commerce) play crucial roles in promoting small businesses by providing them with opportunities to reach a broader customer base, enhance their visibility, streamline operations, and improve customer engagement. Here are some key ways in which these technologies support small business growth:

1. **Global Reach:** E-commerce and m-commerce allow small businesses to transcend geographical boundaries and access a global customer base. They can sell their products or services to customers from different parts of the world without the need for physical stores.
2. **Cost-Effective:** Setting up an online store or mobile app is often more cost-effective than establishing and maintaining a brick-and-mortar store. Small businesses can save on rent, utilities, and other overhead costs associated with physical locations.
3. **24/7 Availability:** Online and mobile stores are open 24/7, providing customers with the convenience of shopping whenever they prefer. This can lead to increased sales, as businesses are not limited by traditional store hours.
4. **Personalization:** E-commerce and m-commerce platforms enable businesses to collect data on customer preferences and behavior. This data can be used to personalize marketing efforts and product recommendations, improving customer satisfaction and loyalty.

5. **Marketing Opportunities:** Digital platforms offer a wide range of marketing tools, including social media advertising, email marketing, and search engine optimization (SEO). Small businesses can use these tools to create targeted marketing campaigns that reach their desired audience effectively.

6. **Reduced Inventory Costs:** With real-time inventory management and order tracking, small businesses can optimize their inventory levels, reduce carrying costs, and minimize overstock or understock situations.

7. **Customer Feedback:** E-commerce and m-commerce platforms facilitate direct communication with customers, making it easier to gather feedback and address concerns. This can help businesses improve their products or services based on customer input.

8. **Reduced Barriers to Entry:** The low entry barriers in the digital marketplace allow small businesses to compete with larger corporations on a more level playing field. Quality products, services, and customer experiences can often outshine big budgets.

9. **Analytics and Data Insights:** Small businesses can leverage data analytics to gain insights into customer behavior, market trends, and sales performance. This data-driven decision-making can help refine business strategies and drive growth.

10. **Mobile Accessibility:** With the increasing use of smartphones, m-commerce is especially important for small businesses. Mobile apps and optimized websites make it easy for customers to browse, shop, and make payments on their mobile devices.

11. **Payment Convenience:** E-commerce and m-commerce enable businesses to offer various payment options, including credit cards, digital wallets, and mobile payment solutions, making it convenient for customers to complete transactions.

12. **Scalability:** As small businesses grow, e-commerce and m-commerce platforms can scale with them. These platforms can handle increased traffic, transactions, and inventory needs without major disruptions.

13. **Competitive Advantage:** Being online or mobile-ready can give small

businesses a competitive advantage in today's digital-driven marketplace. It allows them to adapt quickly to changing consumer behaviors and market conditions.

## **10.9 CONCLUSION**

In conclusion, e-commerce and m-commerce are powerful tools for promoting small businesses. They provide opportunities for growth, cost-effectiveness, and improved customer engagement, helping small businesses thrive in a highly competitive business landscape. However, it's important for small businesses to invest in technology, cyber security, and digital marketing strategies to fully capitalize on these opportunities.

## **10.10 CASE STUDIES OF SMALL BUSINESS AND TECHNOLOGY**

Certainly, here are a few case studies of small businesses that have leveraged modern technology to their advantage:

### **1. Shopify: Empowering E-commerce**

Shopify is a Canadian e-commerce company that provides a platform for small businesses to set up their online stores. It offers a range of tools and services, including website building, payment processing, and inventory management. Shopify has empowered countless small businesses to establish an online presence and compete in the digital marketplace. Through its user-friendly interface and integration with modern technologies like AI-driven chatbots and augmented reality, Shopify helps businesses create a seamless online shopping experience for their customers.

### **2. Uber: Transportation Innovation**

Uber is another example of a small startup that leveraged technology to disrupt an industry. Initially, Uber started as a ride-sharing service but expanded to include food delivery and freight services. The company's app connects drivers with passengers and manages the entire ride experience, from booking to payment. This modern technology-driven approach has not only provided a new income stream for drivers but also changed the way people think about transportation.

These case studies demonstrate how small businesses can leverage modern technology to streamline operations, expand their reach, and compete effectively in today's digital landscape. Technology has become an essential tool for small business success, enabling them to punch above their weight and thrive in an increasingly competitive business environment.

### **10.11 Check Your Progress**

#### **SHORT AND LONG QUESTIONS**

Short Questions:

1. What is e-commerce?
2. What is m-commerce?
3. How do e-commerce and m-commerce differ?
4. How can e-commerce benefit small businesses?
5. How can m-commerce benefit small businesses?
6. What are some common challenges small businesses face in adopting e-commerce?
7. What are some advantages of m-commerce for small businesses?
8. Can you provide examples of successful small businesses that have thrived through e-commerce?
9. What role do online marketplaces play in promoting small businesses through e-commerce?
10. What is the impact of social media on e-commerce for small businesses?

**Long Questions:**

1. How has the rise of e-commerce transformed the landscape for small businesses, and what opportunities does it offer for growth and expansion?
2. What are the key steps and strategies that a small business should consider when entering the e-commerce market to ensure success?

3. In what ways can m-commerce empower small businesses, especially those in developing countries or remote areas with limited access to traditional markets?
4. What are the challenges small businesses may encounter when integrating both e-commerce and m-commerce into their business models, and how can these challenges be overcome?
5. Can you discuss the role of digital marketing and online advertising in supporting small businesses in the e-commerce and m-commerce sectors?
6. How do payment gateways and secure transactions contribute to the trust and credibility of small businesses in the e-commerce and m-commerce spaces?
7. What role do mobile apps play in the success of m-commerce for small businesses, and how can they be effectively developed and utilized?
8. How can small businesses harness the power of data analytics and customer insights to optimize their e-commerce and m-commerce strategies?
9. What are some potential future trends and innovations in e-commerce and m-commerce that small businesses should be aware of to stay competitive?
10. Can you provide case studies of small businesses that have effectively leveraged e-commerce and m-commerce to achieve growth and prominence in their respective industries?

## **GLOSSARY**

**E-commerce:** The buying and selling of goods or services over the internet.

**Online Store:** A website or platform where businesses sell their products or services online.

**Payment Gateway:** A service that facilitates online transactions by securely processing payments from customers to businesses.

**SSL (Secure Sockets Layer):** A protocol that ensures secure data transmission over the internet, commonly used in e-commerce to protect customer information.

**Inventory Management:** The process of tracking and controlling a company's



stock of products available for sale.

**B2B (Business-to-Business):** E-commerce transactions between businesses, where one business sells products or services to another business.

**B2C (Business-to-Consumer):** E-commerce transactions between businesses and individual consumers.

**C2C (Consumer-to-Consumer):** E-commerce transactions where individual consumers buy and sell products or services to each other, often through online marketplaces.

**E-commerce Platform:** Software or services that enable businesses to create and manage online stores, such as Shopify, WooCommerce, or Magento.

**Digital Marketing:** Strategies and techniques used to promote products or services online, including SEO, social media marketing, email marketing, and paid advertising.

**M-commerce:** The buying and selling of goods or services through mobile devices like smartphones and tablets.

**Mobile App:** A software application designed to run on mobile devices, often used by businesses to facilitate mobile shopping.

**Mobile Wallet:** An app or digital tool that stores payment information, allowing users to make purchases through their mobile devices.

**Responsive Design:** A website design approach that ensures web content adapts and displays correctly on various screen sizes, including mobile devices.

**Mobile Payment:** A transaction method that allows customers to pay for goods or services using their mobile devices, often using NFC (Near Field Communication) or QR codes.

**Mobile Shopping Experience:** The overall usability and functionality of an e-commerce website or app when accessed on a mobile device.

**Push Notifications:** Messages sent to mobile app users to inform them about

promotions, discounts, or updates related to a business or product.

**Mobile Search Optimization:** The practice of optimizing a website or app for search engines to improve its visibility in mobile search results.

**Location-Based Services:** Services that use a user's location data to provide relevant information, such as nearby store locations or personalized recommendations.

**Mobile Commerce Security:** Measures and technologies to protect user data and transactions conducted through mobile devices.

**In-App Purchases:** Transactions made within a mobile app, often for virtual goods or additional features.

## **REFERENCE**

1. E-Commerce and Mobile Commerce Technologies by [Pandey U.S. & Shukla Saurabh](#)
2. E-Commerce and Mobile Commerce Technologies by [U S Pandey](#) , [Saurabh Shukla](#)
3. E-commerce and M-commerce Technologies by P. Candace Deans