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SKILL ENHANCEMENT

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

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

BACHELOR OF ARTS

SKILL ENHANCEMENT COURSE (SEC)

SEMESTER-III

(BAB32309T)

ENTREPRENEURSHIP DEVELOPMENT

Head Quarter: C/28, The Lower Mall, Patiala-147001

Website: www.psou.ac.in

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

Dean Academic Affairs



BACHELOR OF ARTS SKILL ENHANCEMENT COURSE (SEC)

SEMESTER-III (BAB32309T) ENTREPRENEURSHIP DEVELOPMENT

MAX MARKS:100

EXTERNAL:70

INTERNAL:30

PASS: 40%

Credits: 4

Objective:

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.

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 answer 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.

Section A

Unit I Entrepreneurship- Concept, Theories, Characteristics, Entrepreneurial mindset.

Unit II Innovation- meaning, features, and need. Latest innovations in manufacturing and service sectors. Social and commercial entrepreneurship.

Unit III Entrepreneurial Process: Generation of business ideas; Opportunity sensing and identification; Test of feasibility of business ideas;

Unit IV Developing a business proposal, contents of a business plan/project report; Project appraisal by external agencies. Business Planning.

Section B

Unit V Entrepreneurial Development Programmes-- their Relevance and Achievement,

Unit VI Women Entrepreneurship- Problems Faced, Suggestions,
Role of Government to promote Women Entrepreneurship.

Unit VII MSMEs –Definition, Registration process and its procedure, Benefits of registration.
MSMEs--- Seed Bed of Entrepreneurship;

Start up- Its Concept, steps and need. Role of MSMEs in the National Economy;

Unit VIII Role of e-commerce in promoting small business. Small Business and Modern Technology.

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
7. Brandt, S. C. Entrepreneurship: The Ten Commandments for Building a Growth company. MacMillan Business Books.
8. Dollinger, M. J. Entrepreneurship: Strategies and Resources. Illinois: Irwin.
9. Holt, D. H. Entrepreneurship: New Venture Creation. New Delhi: Prentice Hall of India.



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BACHELOR OF ARTS
SKILL ENHANCEMENT COURSE (SEC)

SEMESTER-III
BAAB32309T: ENTREPRENEURSHIP DEVELOPMENT

COURSE COORDINATOR: DR. PINKY SRA

Section A

UNIT NO.	UNIT NAME
UNIT 1	ENTREPRENEURSHIP
UNIT 2	INNOVATION
UNIT 3	ENTREPRENEURIAL PROCESS
UNIT 4	DEVELOPING A BUSINESS PROPOSAL

SECTION B

UNIT NO.	UNIT NAME
UNIT 5	ENTREPRENEURIAL DEVELOPMENT PROGRAMMES
UNIT 6	WOMAN ENTREPRENEURSHIP
UNIT 7	MSMES
UNIT 8	ROLE OF E-COMMERCE

BACHELOR OF ARTS
SEMESTER-III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

**UNIT 1: INTRODUCTION, THEORIES AND MINDSET OF
ENTREPRENEURSHIP TO ENTREPRENEURSHIP**

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 ENTREPRENEURSHIPS

1.2.5 IMPORTANCE OF ENTREPRENEURSHIP

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 LET US SUM UP

1.7 TO CHECK THE PROGRESS

1.7.1 LONG ANSWER QUESTIONS

1.7.2 SHORT ANSWER QUESTIONS AND ANSWERS

1.0 OBJECTIVES

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

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

1.1 INTRODUCTION

Entrepreneurship is the art of starting a business, or as a venture offering creative product, process or service. Entrepreneurship is used with different meanings such as innovation, risk-bearing, adventurism, wealth creation etc.

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 starring 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. Say (1824), 'entrepreneur' means an economic agent bringing together the factors of production to create new wealth.

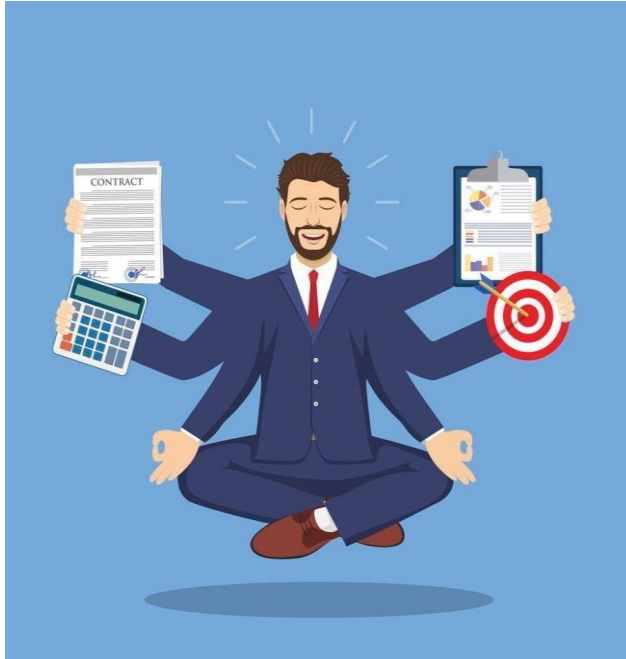
According to Oxford English dictionary, the word 'entreprendre' termed as "entrepreneur" in 1897 as "director or manager of a public musical institution; one who gets up entertainments, especially musical performance". Whereas, the same dictionary revised its meaning in 1933 and defined it as "a contractor 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 an individual who designs new ideas and start business, bearing most of the risks. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, as per the market requirements. To be a successful entrepreneur, it is desirable to have managerial skill and strong team building abilities along with Leadership attributes. As an entrepreneur a person perceives everything as a chance and takes decisions to exploit the favorable market opportunities. An entrepreneur is an innovator, creator, borrower, purchaser, etc. Among famous entrepreneurs include Anil Ambani, Azim Premji, Lakshmi Mittal, Ekta Kapoor etc. Therefore, an entrepreneur is an innovator/ creator who introduces new method of production/ source of material/ market or any other innovation. Whereas, the process of setting up a business is known as entrepreneurship.



The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The person who has the idea to start into small or home business to multinational companies. The entrepreneurs are often known as a source of new ideas and they bring new ideas in the market by replacing old ones. According to the definition given in economics, entrepreneur makes profits with a combination of land, labor and capital.

1.2.2 Definitions of Entrepreneurship

Entrepreneurship is defined differently by different authors. While some call entrepreneurship as 'risk-bearing', for some it is innovation. To understand all about entrepreneurship let us discuss some of its definitions as follows:-

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.” - The Robert D. Hisrich and Michael P. Peters (1998)

In all the aforementioned definitions, entrepreneurship means by all the functions performed by an entrepreneur in establishing an enterprise. In other words, entrepreneurship is what entrepreneurs do.

1.2.3 How Entrepreneurship Works



Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. Among the resources integral to production such as land, labor, capital and organization, entrepreneurship is also considered in the same category, by many of the economists. An entrepreneur combines the land, labor and capital to manufacture goods/ provide services. For this, entrepreneur has to create some business plan with regard to hiring of labor, finding resources, and financing etc. Furthermore, the entrepreneur has to decide about the management required for the business.

The entrepreneurial vision is defined by discovery and risk-taking. Capacity of any nation to succeed in an ever-changing and more competitive global marketplace depends a lot on the entrepreneurial skills of its citizens. Thus, innovation and risk-bearing are regarded as the two basic elements involved in entrepreneurship. Let us understand what these two terms mean:-

➤ **Innovation**

For an entrepreneur, Innovation means doing something new or different. The entrepreneurs have the passion to do something different and unique to meet the changing preferences of the customers.

It is sometimes not necessary that they must be inventors of new products/ methods of production, but they are expected having the ability to make use of the inventions for their enterprises. For example, nowadays, fruit juice is sold in small cartons instead of bottles to make it convenient to carry and throw away after its use.

➤ **Risk-Bearing**

Starting a new enterprise always involves risk. In starting stage of any type of the enterprise, there may be profits or incur losses. As the business environment is exposed of many factors such as; Increasing competition, changes in customer preferences, shortage of raw material and so on.

An entrepreneur, must be bold enough to bear the risk involved in the enterprise. He needs to be a risk-taker, not a risk avoider. His risk-bearing ability must prompt him in every failure,

that will ultimately helps him succeed. According to the Japanese proverb, “Fall seven times, stand up eight.”

1.2.4 Types of Entrepreneurship

As there are different types of entrepreneurs, there are also different types of businesses they create. Different types of entrepreneurship have been mentioned as follows:-

➤ **Small Business Entrepreneurship**

Small business entrepreneurship is concerned with opening a business without turning it into a large conglomerate or opening many chains. Examples of small business entrepreneurship include; A single-location restaurant, grocery shop, a retail shop to sell your handmade goods etc.

The individuals involved in small business entrepreneurship usually invest their own money and succeed if their business gains profit. They take a loan only if it in case of need or it helps continue the business.

➤ **Scalable Startup**

These are companies that start with a unique idea. Such startups enter in market with a unique product or service and continue growing the company and continuously scaling up with the passage of time. To grow their idea and reach multiple markets, such companies require investors and large amounts of initial capital mostly.

➤ **Large Company**

Large company entrepreneurship is a new form of business created within an existing company. The existing company plans to shift into other sectors or to get involved in new technology.

Leaders of such companies either foresee a new market for the company or the manpower within the company put forward the ideas that help to start the process.

➤ **Social Entrepreneurship**

The social entrepreneurship is aimed at providing benefit to society and humankind. Through their products and services, they facilitate communities or the environment. Earning profits is not the sole aim rather they help the world around them.

1.2.5 Importance of Entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth and innovating things of value that have a bearing on the welfare of an entrepreneur. It provides civilization with an enormous amount of goods and services and enhances the growth of social welfare. The man behind the entrepreneurship is an action-oriented and highly motivated individual who is ready to achieve goals. There is tremendous contributions of entrepreneurship in the following manner:-

- Creation of job opportunities

- Innovation
- Impact on community development and social benefits
- Strengths against business failure
- Increased profits
- Smooth running of enterprise
- Enhances the standard of living
- Promotes research and development

1.3 CHARACTERISTICS OF ENTREPRENEURSHIP

To be successful, there are definite characteristics that the entrepreneurship must possess. A few of them are mentioned as follows:-

- **Risk Taker-** Starting any new venture involves a considerable amount of failure risk. An entrepreneur must be bold enough to take risks, which is an essential part of being an entrepreneur. An entrepreneur normally avoids the situation where risk is low.
- **Innovation-** Entrepreneurship should be highly innovative to generate new ideas and start a company. The entrepreneur brings a change for launching of a new product in the market. He may also develop a process that does the same thing in more efficient and economical manner.
- **Visionary and Leadership quality-** With their Leadership quality, leaders influence their employees towards the right path of success. Furthermore, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, he needs a lot of resources and employees. With open-Mind, every circumstance as an opportunity can be used for the benefit of a company. For example, Rupay, Google pay, and Paytm etc. in the wake of demonetization acknowledged the need for online transactions.
- **Flexibility-** An entrepreneur should be flexible enough to change according to the situation. He should be equipped to embrace change in a product and service, according to the market needs.
- **Awareness-** An entrepreneur should know the product offerings and also be aware of the latest trend in the market. For this, he must be knowing of the available product or service on the parameters of the current market. Being able alter the product or service as needed, is a vital part of entrepreneurship.
- **Resilient-** A successful entrepreneur must show resilience to all the difficulties. In the times of failure or rejection they must keep pushing forward. To Start your business is a learning process and any learning process comes with a learning curve, which can be frustrating, especially when money is on the line. It's important never to give up through the difficult times if you want to succeed.

- **Focused-** A successful entrepreneur must stay focused and must be free from doubts that come in mind while running a business. By not believing in instincts and ideas, entrepreneur may step forward to failure and lose the end goal. A successful entrepreneur must always remember the vision for starting the business and remain on course to see it through.
- **Business Smart-** An entrepreneur should be smart enough to manage money and financial statements that are critical for running their own business. It is essential for him to check revenues, costs, and how to increase or decrease them. While implementing a sound business strategy, it is necessary to know target market, competitors, strengths and weaknesses.
- **Communicators-** An entrepreneur must possess efficient communication skills. Successful communication is important in almost every walk of life. It is also of the utmost importance in running a business. Good communication also means that conveying ideas and strategies to potential investors in an efficient manner.

1.4 THEORIES OF ENTREPRENEURSHIP

There are different types of entrepreneurs and the term entrepreneurship has been defined differently by many authors. Thus, some of the theories of entrepreneurship evolved over a period of time, have been described as follows:-

1. Economic theories: Schumpeter's Theory of Innovation, Mark Casson Theory
2. 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)
3. Profit theory: The Uncertainty-Bearing Theory of Knight
4. Psychological theories: Kunkel's Theory (Emphasis on Entrepreneurial Supply)
5. Cultural theory: Hoselitz's Theory (Emphasis on Marginal Groups)
6. X-Efficiency theory: Leibenstein's Theory (Emphasis on X-Efficiency)
7. 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:-

1. **Economic theories:** Economists such as Schumpeter and Mark Casson have contributed towards theories of entrepreneurship as follows:-

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

Joseph Schumpeter originated innovative theory of entrepreneurship. He takes the case of a capitalist closed economy which is in stationary equilibrium. He believed that entrepreneurs takes the economy to a new level of development by introducing innovation and thereby, bring changes in the circular flow of the economy. According to Schumpeter the entrepreneur

is not a man of ordinary managerial ability, but having the ability to introduce something entirely new.

Schumpeter also differentiated between invention and innovation. He described that invention refers to creation of new materials and by innovation means the application of new materials into practical use in industry. Similarly, between an innovator and an inventor; The inventor is the one who invents new materials and new methods, whereas, the innovator is the one who utilizes these inventions and discoveries in order to make new combinations.

Criticism: Schumpeter's theory has been subjected to the criticism that it ignored the organizing aspects of entrepreneurship and over emphasized on innovative functions of the entrepreneur only.

➤ **Mark Casson Theory:**

According to Mark Casson's theory, there is no established economic theory of the entrepreneur. Entrepreneur can be a property developer or a small businessman. He provided a balanced view on the topic of entrepreneur. The Mark Casson's book *The Theoretical Reconstruction* proceeds on two fronts. The first one describes that the individuals differ not only in their tastes but in their access to information. Individuals with similar taste but with different information may take different decisions. The second one describes that the area of reconstruction stems from recognition of the difficulty that is inherent in organizing a market. Mark Casson suggested that in reality transaction involves a significant resource cost, therefore, the entrepreneur's success depends on how he minimizes 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.

2. **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):**

According to Max Weber, religion had a profound influence on the growth of entrepreneurship. He felt that sociological explanation for the growth of entrepreneurship must also be considered. He opined that the entrepreneurial energies of a society generated and supplied by religious believes. According to some religions, it is the foremost duty to earn and acquire money. Whereas, some religions put less emphasis on it. Max Weber claimed spirit of capitalism as a fundamental concept. Capitalism means the economic system where market forces of demand and supply play freely. Therefore, the spirit of capitalism promotes the entrepreneurs to engage in entrepreneurial pursuits and earn more and more profits. Weber felt that the belief systems of Hinduism didn't encourage entrepreneurship. Because, Hinduism laid less emphasis on wealth accumulation and materialism. Weber was of the opinion that the Protestant ethic provided the mental attitude in a society for capitalism and favors entrepreneurship. The Protestants advanced in establishing capitalism in Europe. Protestant ethic granted them the attitude of accumulating assets, and materialism.

Criticism: Max Weber's theory is based on unrealistic and invalid assumptions and have been found empirically invalid. He has been criticized by many sociologists on his assumptions about Hinduism and entrepreneurship. As in the post-independence period in India, the expansion of entrepreneurship disproved his views about Hinduism. Also, the views on Protestant ethic were disapproved. Capitalism also flourished where Protestant ethic was not present.

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

E. Hagen presumes a general model of the society. His theory viewed the entrepreneur as a creative trouble shooter who contributes to economic development. The entrepreneur brings about social transformation and economic development. He didn't encourage the entrepreneurs to imitate western technology. According to Hagen, the social group that experiences the withdrawal of status respect turns into aggressive entrepreneurship. In such a situation the status losing group its members try to regain their status by an entrepreneurial drive.

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

- (i) The retreatist – An individual working in the society but indifferent to the work and position.
- (ii) The ritualist – An individual who works according to the manner approved by the society but does no hope for improving his/her position.
- (iii) The reformist – A person who fights against the injustice and tries to form a new society.
- (iv) The innovator – An individual who makes efforts to bring about new changes. This personality has bearing upon the personality of an entrepreneur.

Criticism: Hagen's Theory has been criticized on the grounds that the social groups must behave in the manner proposed in the theory does not always hold true. This theory ignores other factors which can be accountable for development of entrepreneurship.

3. **Profit theory: The Uncertainty-Bearing Theory** of Knight comes under its preview. Frank H. Knight (1957) in his book Risk, Uncertainty and Profit explains that the profit of the entrepreneur is the reward for bearing uncertainties and non-insurable risks. Entrepreneurship is genuinely associated with risk bearing. Knight had distinguished risk into two types of risks:-

- Insurable Risks And
- Non-Insurable Risks

Insurable Risks means the risks that are measurable. The probability of such risk can be statistically estimated and hence such risks can be insured. For example; Theft of commodities, fire in the enterprise, accidental death etc.

Non-Insurable Risks on the other hand, cannot be calculated and the probability of their occurrence cannot be statistically ascertained. For example; Risks associated to changes in prices, demand and supply. These risks are non-insurable.

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.

Criticism: F.H. Knight's theory suffers from certain drawbacks that the role of an entrepreneur has not been elaborately provided by the theory. Furthermore, his theory discussed the concept of profit in a vague way, as a residual income of the entrepreneur. Also, uncertainty-bearing should not be treated like other factors of production such as land, labour and capital.

4. Psychological theory: Kunkel's Theory (Emphasis on Entrepreneurial Supply)

John H. Kunkel advocated the theory on the edifice of entrepreneurship supply. He was of the opinion that the sociological and psychological are the main determinants for the emergence of entrepreneurs. Supply of entrepreneurs has a functional relationship with the social, political and economic structure. According to Kunkel, the supply of entrepreneurship depends on the following factors of the economy:-

(i) Demand Structure: It means the demand situation prevailing in the economy. The demand structure of an economy can be enlarged by rewarding the entrepreneurs with material rewards for their entrepreneurial activities.

(ii) Limitation Structure It means the entrepreneurs and other members of a society restricts specific activities.

(iii) Opportunity Structure: This structure includes the existing market structure, the available managerial and technical skills, information about production techniques, supply of labour and capital.

(iv) Labour Structure: This structure includes the availability of skilled labour willing to work.

In Kunkel's theory, the behaviour of the individuals is highly subjected to the conditioning procedure surrounding the environment of the individuals. Criticism:

Criticism: Kunkel's theory is based on unrealistic postulates. The different structures that influence supply of entrepreneurship are not realistic. It also ignored the ambiguous concepts like values, personality etc.

social networks.

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

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

Hoselitz's theory portray that the cultural factors play a great role in entrepreneurial development. In his theory, Hoselitz proposed that the marginal groups are the minorities in the society. To elevate their standard of living and in the process promote economic development, entrepreneurship is likely to emerge. The culturally marginal groups like Lebanese in West Africa; Jews in Europe, the Indians in East Africa towards the economic development of those regions prompted this theory.

Hoselitz opined that the marginal men placed in an ambiguous position bring about genuine adaptations in their behavior. In this process, they become entrepreneurs and became the part of economic development.

➤ **Cochran's Theory:**

Thomas Cochran discussed the supply of entrepreneurship from the cultural point of view. He had suggested that the cultural values of a society, social expectations and role expectations play an important role in determining the supply of entrepreneurs. Cochran also opined that the entrepreneurs represent role models of the society.

Criticism: Cochran's theory has been criticized on the ground that it doesn't provide a satisfactory explanation of the supply of entrepreneurs in an economy and it concentrates only on the social factors and their impact.

6. X-Efficiency theory: Leibenstein's Theory

The concept of X-efficiency was propounded by Harvey Leibenstein in 1966 in article entitled "Allocative efficiency vs. X-efficiency". According to Leibenstein, X-inefficiency means the difference between the optimal efficient behaviour of business in theory and the observed behaviour in practice as a result of different factors. X-inefficiency occurs when technical-efficiency is not achieved. Whereas, X-efficiency according to Leibenstein means the effectiveness with which a given set of inputs are used to produce outputs. The particular firm is said to be technical-efficient if it produces the maximum output it can, given the resources and it employs with the best available technology.

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. For input completion, the entrepreneur has to mobilize all the available inputs to increase the efficiency of production methods available. According to Leibenstein, there are two types of entrepreneurship. Firstly, 'Routine entrepreneurship' that covers the important functions of management of business. Secondly, 'New entrepreneurship' that is innovative entrepreneurship.

Criticism: The Leibenstein's theory has been criticized because the exact influence of X-efficiency on output of an organisation cannot be determined. His theory is less predictable than normal theories.

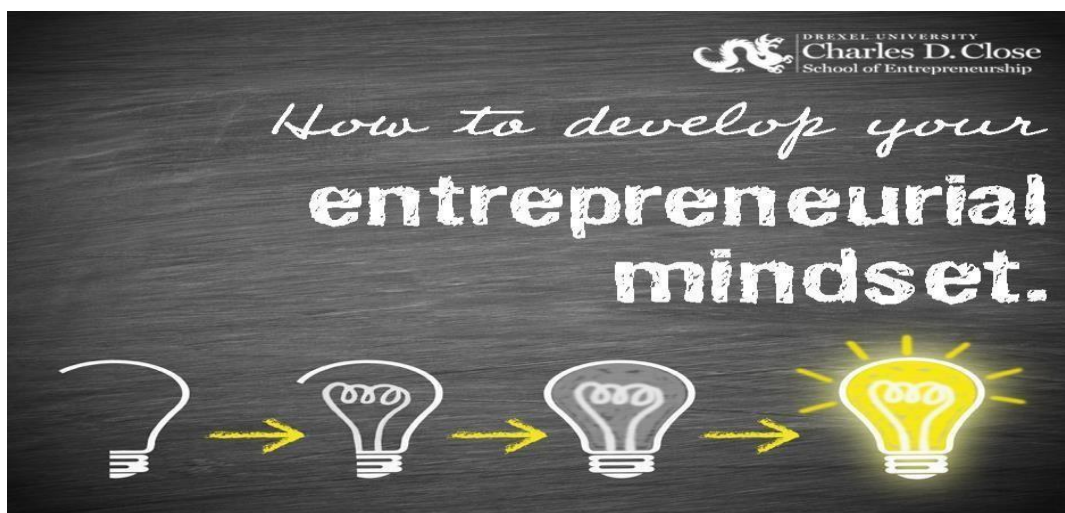
7. Other theories:-

➤ **Frank Young** emphasizes that the entrepreneurial initiatives are conditioned by group level pattern. Frank Young opined that the entrepreneurial characteristics are observed in clusters, ethnic groups, occupational groups and groups with political orientation and he disapproves the notion of an entrepreneur working individually. The Young's theory includes the idea of reactive subgroups that play an important role in enterprise creation. Such groups crop up in case, when group experiences low status recognition and limited or no access to resources.

- **M. Kirzner's View on Entrepreneurship:** Israel Meir Kirzner, an American economist contributed many books towards entrepreneurship. Spontaneous learning is the basic idea behind Kirzner's entrepreneurship theory. The simplest situation in which spontaneous learning can occur is a Crusoe situation. Kirzner calls the situation in which spontaneous learning prompt the state of mind for alertness. According to Kirzner, the pure entrepreneur is "a decision-maker whose entire role arises out of his alertness to hitherto unnoticed opportunities."
- **Baumol's View on Entrepreneurship:** Baumol (1968) discussed role of entrepreneur as vital to economic growth. He stated that the total supply of entrepreneurs varies across the societies. Moreover, the productive contribution of the society into entrepreneurial activities depend on its division between productive and unproductive activities.
- **Peter Drucker's View on Entrepreneurship:** Peter Drucker explained the entrepreneur as a unique agent of change and "the entrepreneur 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.



Entrepreneurial mindset generates ideas, an awareness and focus on identifying an opportunity through solving a problem, and a willingness to move forward to put idea into practice. It is the lens through which the entrepreneur views the world and where everything is considered as entrepreneurial activity. Beyond doubt, the business is always a consideration when the entrepreneur takes any decision. Entrepreneur takes action for the benefit of the business, but sometimes, it helps him to adopt the appropriate mindset. The mindset becomes a way of life for the entrepreneur to achieve their goals and objectives. They are always planning ahead, and engaged in "what if" analyses. They frequently ask

themselves, “What if we did this?” “What if a competitor did that?”—and what the business implications?

Anyone can become an entrepreneur, by changing their perspective from following established patterns to observe the opportunities around them. There is no restriction on age, gender, race, country of origin, or personal income. To become an entrepreneur, one need to recognize the opportunity and be willing to act on it. How we view ourselves and the world around us impacts our ability to dream and achieve. In today’s innovation economy, our youth need a mindset to recognize opportunity, take initiative, and innovate in the face of challenges.

1.5.1 What is an Entrepreneurial Mindset?

An entrepreneurial mindset is a set of skills that enable people to identify and make the most of opportunities, overcome and learn from setbacks, and succeed in a variety of settings. An entrepreneurial mindset is valued by employers, boosts performance, and helps in creating new businesses. Citing an example of Nokia *becoming hero to zero in four years*, in 2007 Nokia was at its peak. Nokia had an estimated 32% share of the global phone market with 36% margin averaged. But it failed to enter the smart phone market, leaving the space for others like Apple and Samsung that rapidly filled that space. With the growth of company, normally the sparks for innovation fades. Therefore, at this stage, it is the entrepreneurial mindset that is must to foreplay its role. Let us discuss various Resources of Entrepreneurial Mindset as follows:-

1.5.2 Entrepreneurial Mindset Resources

The following resources/traits can be helpful in developing the Entrepreneurial Mindset:-

- **Assertive:** The ability and willingness to put his firm foot ahead to overcome challenges and for promotion of his venture.
- **Persuasive:** The ability to clearly express ideas to others by persuading them to work towards a common goal. For this, he must have to use good communication quality.
- **Critical Thinking:** It is the capacity to apply process-oriented thinking, consider an issue from a range of possible perspectives, and use that thinking while making decisions.
- **Comfort with Risk:** The capacity to move forward with a decision despite inevitable uncertainty and challenges.
- **Initiative:** an entrepreneur has to initiate a new idea to carry business activity working through obstacles independently. The power to take ownership of a project without any input or guidance.
- **Future Orientation:** An optimistic disposition with a focus on obtaining the skills and knowledge required to transition into a career.
- **Looking for Opportunity:** An entrepreneur must have the practice of seeing and experiencing problems as opportunities. He has to avail these opportunities for profit earning.

- **Creative:** An entrepreneur is out to devise most effective strategies to achieve the objectives of his enterprise. The ability to think of ideas and create solutions to problems without clearly defined structures.
- **Comfort with Risk:** For an entrepreneur, he must have the capacity to move forward with a decision despite inevitable uncertainty and challenges. Our attitude to risk shapes our whole life. Behind making business or life decisions, there is always an element of risk. We are all risk takers and take risks every day, driving at 85 when the limit is 70.
- **Persistence:** Continuous efforts describes the notion of taking various unrelated situations and creating something bigger in adverse situations too.
- **Self-confidence:** Entrepreneurs make loads and loads of mistakes. But, they don't get give up by it. With Self-confidence, they just move on to the workaround or next idea swiftly even in case of failure.
- **Learn quick:** The entrepreneur learns quick, but always shares the results whether good or bad with the team for completing the desired task.
- **Work smart:** Entrepreneurs are often gifted with a meticulous planning. He needs to Work smart to plan activities in the light of his strengths and weaknesses.

1.6 LET US SUM UP

Entrepreneurship is instrumental in bringing about changes in all aspects of the society, encouraging, growth and development. Entrepreneurship is the ability and quality of an entrepreneur to identify an investment opportunity and to organize an enterprise. Entrepreneurship helps to solve the various problems of the economy such as poverty, unemployment etc. Different entrepreneurs exhibit different traits.

Growth of any enterprise depends on the way, an entrepreneur performs various functions like innovation, decision making, and risk taking etc. Hence, entrepreneurship plays a significant role in the economic growth of country.

1.7 CHECK YOUR PROGRESS

1.7.1 Long Answer Questions

1. What do you understand by concept of entrepreneurship?
2. Why it is important for an entrepreneur to possess some characteristics to achieve success in any venture.
3. Write critically about the theories of entrepreneurship.
4. What mindset can help an entrepreneur to be successful.

1.7.2 Short answer questions and answers

- **What does it mean to be an Entrepreneur?**

An entrepreneur is an individual who takes the risk to start their own business based on an idea they have or a product they have created while assuming most of the risks and reaping most of the rewards of the business.

- **What is the best definition of Entrepreneurship?**

Entrepreneurship is the process of setting up a business, taking it from an idea to realization.

- **An individual who initiates, creates and manages a new business can be called _____.**

A leader B. A manager C. A professional D. An entrepreneur

ANSWER: (D)

- **Which could provide an individual with the motivation to start a new business venture?**

The financial rewards. B. A desire to be independent. C. Risk taking D. All the above.

ANSWER: (D)

- **Schumpeter considered that innovative entrepreneurs would:**

Thrive B) Disappear C) Be absorbed within large innovative firms D) Be absorbed within non-innovative firms

ANSWER: (C)

- **Innovation can best be defined as_____.**

the generation of new ideas. B. the evolution of new ideas. C. the opposite of creativity. D. the successful exploitation of new ideas.

ANSWER: (A)

- **Which of the following is the reason for business failure _.**

Lack of market research. B. Poor financial control. C. Poor management. D. All the above.

ANSWER: (D)

BACHELOR OF LIBERAL ARTS
SEMESTER III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT II: INNOVATION; SOCIAL AND COMMERCIAL ENTREPRENEURSHIP

STRUCTURE

2.0 OBJECTIVES

2.1 INTRODUCTION

2.2 CONCEPT OF INNOVATION

2.2.1 MEANING AND DEFINITIONS

2.2.2 TYPES OF INNOVATION

2.3 CHARACTERISTICS, NEED AND IMPORTANCE OF INNOVATION

2.3.1 CHARACTERISTICS OF INNOVATION

2.3.2 NEED AND IMPORTANCE OF INNOVATION

2.4 SOCIAL ENTREPRENEURSHIP

2.4.1 MEANING

2.4.2 CHARACTERISTICS OF SOCIAL ENTERPRISE

2.5 COMMERCIAL ENTREPRENEURSHIP

2.6 DIFFERENCE BETWEEN COMMERCIAL AND SOCIAL ENTERPRISE

**2.7 SIMILARITIES BETWEEN SOCIAL ENTERPRISE AND COMMERCIAL
ENTERPRISE**

2.8 LATEST INNOVATIONS IN MANUFACTURING AND SERVICE SECTORS

2.9 LET US SUM UP

2.10 TO CHECK THE PROGRESS

2.10.1 LONG ANSWER QUESTIONS

2.10.2 SHORT ANSWER QUESTIONS

2.0 OBJECTIVES

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

- Understand the detailed concept of Innovation in Entrepreneurship along with characteristics
- Explore the concept of social entrepreneurship

- Find out about the latest innovations in the manufacturing and service sector.

2.1 INTRODUCTION

Innovation is the development and implementation of new tools and techniques to create major and minor changes to goods, processes, and services, resulting in the introduction of something new for the company, which provides value to consumers and contributes to the organization's knowledge store. In the era of extreme competition, global business presence, and arising issues and awareness about environmental and governance aspects of business, new innovations in manufacturing and trading of goods and services have been frequent and prominent.

Natural sciences, social sciences, health sciences, and other fields contribute to the outcomes of innovation. Basic scientific knowledge aids understanding in such disciplines and to completely comprehend technology or technological potential for advancement in procedures and hence the betterment of final product. The evolution of today's electric bulbs is an outstanding example of innovation right from the history of invention, creation and mass production of electric bulbs.



As the diagram depicts, the history of electric light, which improves our daily lives is the contribution of numerous scientists. James Lindsay, Frederick Moleyns, Heinrich Göbel, Humphrey Davy, and Thomas Edison were among those who made significant contributions to the development and advancement of electric light. From simple light bulbs to CFL and LEDs, bulbs have to go through a long path.

2.2 CONCEPT OF INNOVATION

Innovation is a phenomenon through which a product, or a service is refreshed and kept updated by the application of new procedures, latest techniques, or the establishment of innovative concepts to generate new value to increase customer satisfaction and demand.

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.

Innovations mostly lead to ease of doing business operations, efficient consumption and effectiveness of the products, solves a previously faced issue by the consumers of the products and related stakeholders etc. For example: online interaction with customers to sell and orient them with basic features as well as take feedback from them has proved beneficial. Similarly advanced laser machine models are constant example of frequent and significant innovations in the business of medical industry. The Sunscreens these days not only protect consumers from UV rays of the sun as they traditionally did but also from other light rays coming from electronic devices that we are exposed to these days as a result of increased screen time.

An innovation increases the wealth of the business by making it gain a competitive edge in the marketplace. It has become a major aspect in marketing a product. Customers tend to switch between brands being attracted by the innovative practices opted by a business especially a new enterprise can create a quick and big market share in comparatively less time if they have a USP (unique selling point) of some innovative feature in their product or service. While innovation frequently results in a victory for someone, it may also result in a loss for someone else. It's a fight out there.

2.2.1 Meaning and Definitions

The term "innovation" comes from the Latin word "innovare," which meaning "to refresh " or "to renew ". To enhance or replace anything, such as a method, a product, or a service, is to innovate.

“Innovation is the creation of something that improves the way we live our lives”

-Barack Obama.

“Innovation is change that creates a new dimension of performance.”

-Peter Drucker.

Turning an idea into a solution that adds value from a customer’s perspective

Nick Skillicorn

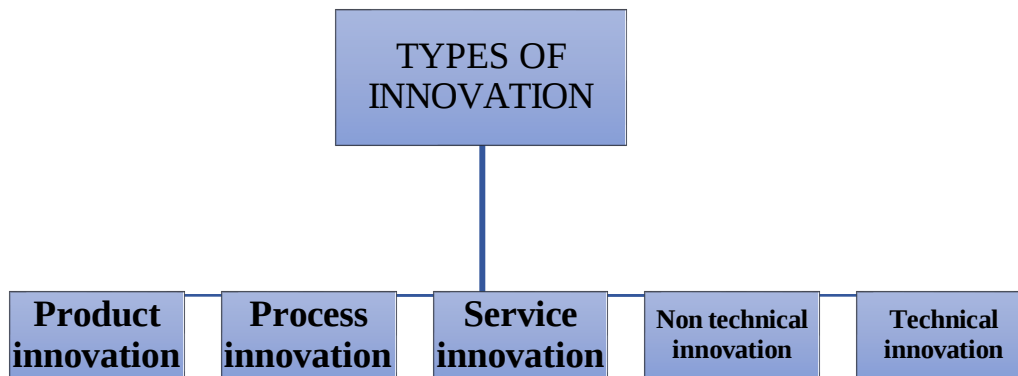
Innovation is something fresh (new, original, or improved) that creates value.

-Jeff Dance.

“Innovation is significant positive change”.

-Scott Berkun

2.2.2 Types of Innovation:



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 CHARACTERISTICS, NEED AND IMPORTANCE OF INNOVATION

2.3.1 Characteristics of innovation: The concept of innovation has the following characteristics:-

1. **Relevance** – A process or product is termed innovative when it brings freshness to the market and is relevant to the basic objective of providing utility to the customers or the business houses selling and manufacturing the product. The stakeholders of the innovation

need to see the benefits of the particular innovation as compared to the traditional product or service. Innovative changes can be done in any of the following aspects:

- Better user interface and ease of using the product or doing the process.
- Improve the quality and effectiveness of product or service or the process innovated for example new age sunscreens that not sticky and also provide protection from blue light of devices.
- Combining several functionalities into a single tool, for example, a mobile phone these days works as a watch, a computer, a camera and a phone, all in one device.
- Increase the durability of product or process.
- Reduce the requirement of other equipment and supplies.
- Increase the efficiency and productivity.
- Increased usefulness.
- Reduce pollution.

The innovation of computer word processing programs as a substitute to typewriters is a simple yet brilliant example. The innovation reduced the burden of extra physical accessories other than a personal computer, constant demand for ink, the documents easily editable and files could be saved for a lifetime and transferred to other computers very conveniently with the use of small devices like pen drives, CDs etc.

2. Solution to problems: An innovation is the result of time and efforts spent on creating a new concept of production and customer satisfaction to address a currently faced problem. The most common issues addressed by innovations in business processes and products are concerned with:

- Low waste generating manufacturing system
- Reduced Pollution
- Healthy after effects on consumer
- Ease of doing business
- Ease of procuring and utilizing materials

3. Results in change: Innovation is a process that leads to change: change in the utility of product or service; change in the design; change in consumer experience; change in the production process; change in selling arrangements. The basic purpose of innovation is always betterment of experience and functioning on part of both seller and buyer.

4. Adds value: The advancement made through innovation is always to add value to a product. Innovation reflects advancement in technology which adds value to the product and service with additional benefits, elongated use, environment friendly and positive health effects. An innovative product is always deemed superior to other peers in the market so is always sold on premium. Hence innovation adds value to the price due to added benefits.

5. Entrepreneurial opportunity: Innovation in any aspect and field is an entrepreneurial opportunity created in itself which can be sold at higher profit as well as it

will have the potential to serve as a competitive edge for the enterprise. Any enterprise that comes to the market with innovative base always grows higher and faster.

6. **Inevitable in enterprise:** An ordinary business becomes an enterprise only when the product or service offered is innovative and is different from the kind of products present in the market already. Innovation and entrepreneurship go hand in hand with USP (unique selling point) being freshness in the idea, better performance and solution to existing problems, continuous updating etc.

7. **Systematic process:** Innovation is a systematic process to be applied through all the levels of management. every business organization is managed through an interdependent set of management functions and departments. Introduction of an innovative product or process, is going to affect all the functional departments of the organization directly and indirectly so it is inevitable to observe effects of innovation on every aspect of business.

2.3.2 Need and importance of Innovation

1. **Survival in competition:** Innovation is an unavoidable characteristic in a business model and product these days due to immense global competition and frequent advancements in technology and science. Technologies are getting obsolete frequently. No business can stay constant in techniques and product features provided by them else they may end up in heavy losses. Best example of this is Nokia phones which was considered to have largest market share in the market but they went to a significantly low position however their competitor Samsung and Xiomi managed to acquire more market shares in spite of having competition from brands like Apple.

2. **Competitive edge:** Innovation has become a pioneer in providing a competitive edge to business over their rivals. Apple I-phone and other products of the company is the best example of this as the company is not just able to sell the products at high demand but also due to their innovative products and services, they charge way too high prices and have created a superior image in the global market.

3. **Socially aware customer:** Spread of social media has further accelerated the awareness among the society about the pros and cons of various products on them individually as well as socially. Consumers are much more actively participating in giving their opinion about the products they consume and demand for better technology in every aspect at lowest price possible. There is not much scope of salesmanship marketing in the present era because the society itself is evolving day by day as intelligent and completely aware of the products they consume and the technologies that are involved. Word of mouth marketing spreads more effectively where in people actually inform each other about the various positives and negatives about businesses online very conveniently.

4. **Creating brand value:** Businesses may promote the impression that they create revolutionary items by showing innovation to consumers. The customers like to be associated with brands that have the leading edge of innovation, using the most advanced unique products.

5. **USP (unique selling point):** Innovation have proved to be the reason and the only factor for establishment and success of certain brands in the market. for example Apple I-phones ,Macbook, Apple smart watch revolutionized the market.

6. Marketing hype: Innovation leads to self-publicity and promotion of the enterprise and creates a trend in the society. For example; Facebook, Snapchat etc. initially managed to establish themselves as a recreational activity and excited people about using these applications.

2.4 SOCIAL ENTREPRENEURSHIP

An enterprise is said to be a social enterprise when the business is established in an arrangement to provide benefits to the society in some form. Social entrepreneurship is that form of entrepreneurship which creates value for the society as a whole rather than focusing on just earning money. The enterprise aims at solving current issues in the society, benefiting some weaker or underprivileged section of the society through its operations, address existing cultural, communal and environmental issues. The main purpose of a social enterprise is to benefit the society. The social enterprises work for greater good rather than just generating profits. Examples of social enterprises include; Microfinance institutions, self-help groups, waste management organizations etc.

2.4.1 Meaning

A social enterprise is an innovative business model with a social mission that functions on a sustainable entrepreneurial strategy. The objective of the enterprise is to bring about a positive change in the society using constructive opportunities in innovative ways to facilitate transformations and sustainability.

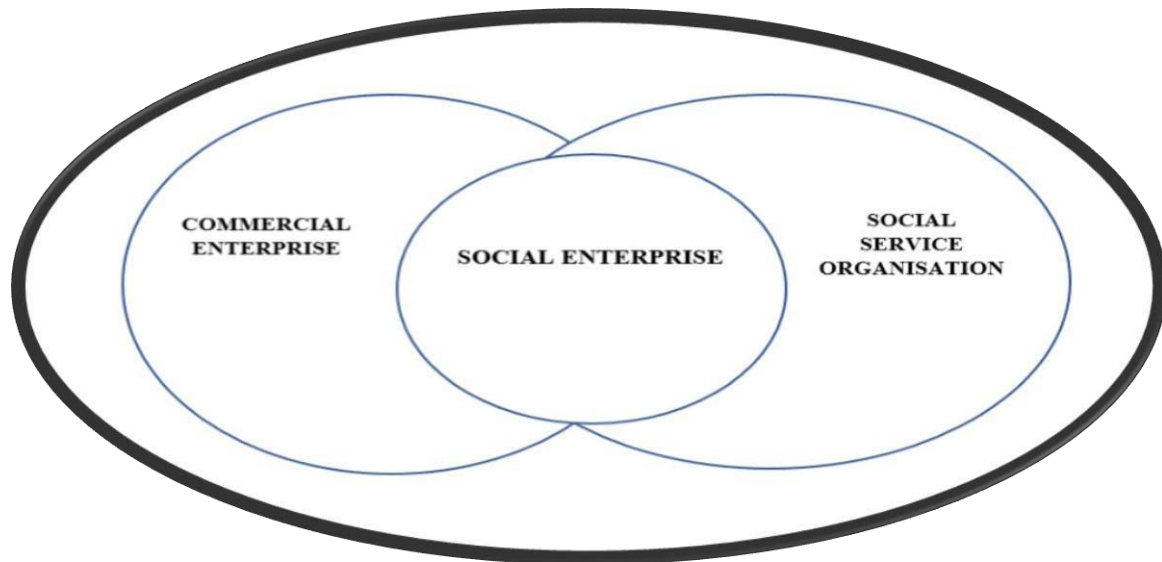
Amul – the social enterprise of India

A very famous example of social entrepreneurship in India is of a well known brand Amul. Amul was set up with a social motive and provides access to thousands of farmers who can't establish their own platforms to sell in the national market. Amul provided a systematic supply chain management system to thousands of poor farmers in the country. Amul was a part of a cooperative movement in Anand, Gujarat, against Polson Dairy, which bought milk from local farmers in Kaira District at very low prices and sold it to the Bombay government.

2.4.2 Characteristics of a Social Enterprise

1. **Social motive:** The fundamental concept of a social enterprise is that this business is established with the basic motive of benefiting the society. The entire establishment is focused on generating solutions to the existing problems in the society.
2. **Sustainability:** A social enterprise model is mostly created with an idea of sustainable business activities with special focus on having the least possible side-effects on the environment, and society. It helps in making it function in a sustainable and eco-friendly manner.
3. **Underprivileged sections:** The social entrepreneurs try and help the underprivileged sections of the society by either providing them with employment opportunities, education, better living conditions and equip them enough to be self-dependent.
4. **Transformation:** The entrepreneur aims at bringing about a positive change in the world through his business idea by transforming the society in an innovative manner.

5. Profit Earning Social Work Entity: Social enterprise is a blend of a pure commercial enterprise whose basic motive is to earn profit and wealth maximization and a social work organization that works as a non-profit entity functioning to serve the society and aim at social welfare.

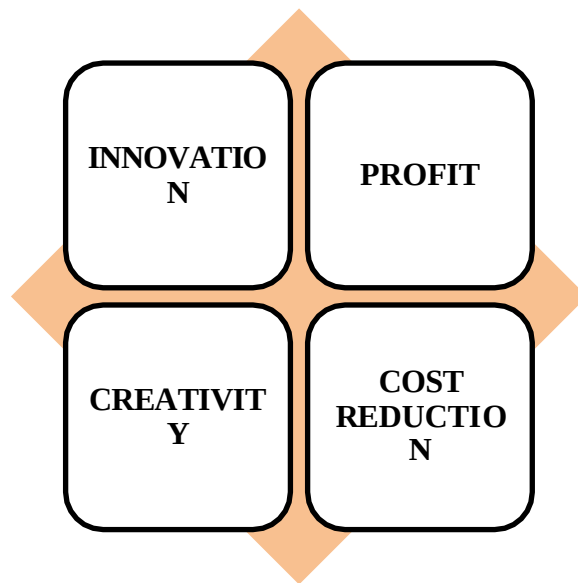


6. Social value: The enterprise idea creates a social value through its activities. The process starts when a socially active person gets an idea to solve an issues of the society. He recognizes an opportunity to serve the people in an innovative business venture. So he takes up accountability as a good citizen to learn and adapt to the new idea and execute it to make the world a better place.

2.5 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 in itself.

- Commercial entrepreneur uses innovation to explore new opportunities and unsatisfied needs of the consumers in 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 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 relish it and buy more of it or even at premium prices.



2.6 DIFFERENCE BETWEEN COMMERCIAL AND SOCIAL ENTERPRISE

An enterprise is a business entity that aims to earn profit by indulging in an innovative and unique business idea. A social enterprise however tries to benefit the society as well through its business idea and operations, be it through employing weaker sections of the society, opting for a sustainable eco-friendly production method or solving any other issues in the society.

BASIS OF DIFFERENCE	SOCIAL ENTERPRISE	COMMERCIAL ENTERPRISE
Purpose	Bring about as positive change in the world.	Earn profit through acquiring the maximum share in the market .
Risk	Risk involves business financial risk and social aspect is also under concern.	Risk involves majorly on financial front.
Strategy	Strategy involves addressing some societal issues in addition to earning profit.	Strategy is to earn compete in the market and generate maximum profit possible.
Objective	Social welfare	Wealth maximisation
Value creation	Social value creation	Financial value addition
Priority	Social welfare is always given preference over any other objective of the business	Financial earning is always the priority.

Focus	Social enterprise focuses on the needs of the society. what is needed for the weaker sections or the society as a whole or for the betterment of the environment.	Focus is on needs of the customers who can pay for products. Pure business motive. Needs that may generate money if served are of interest.
Uniqueness	The uniqueness of this enterprise lies in its innovative management of a social issue.	The uniqueness of this enterprise lies in the innovative product or service that serves the unsatisfied needs of the customers.
Examples	Self-help groups, Amul, the better India etc.	Apple, Facebook, BMW etc.
Importance	Social enterprises provide social welfare, sustainability and prosperity in the society. They hold social importance in the country.	Commercial entrepreneurs accelerate economic growth, generate employment opportunities and is crucial for the economic growth and financial wellbeing of the country.
Financial performance	Mostly it is observed that the financial growth and results of social enterprise are lower than commercial enterprises.	Commercial enterprise's operations at all levels are focused on reducing cost, maximising profits and sales so they are generally observed to perform better financially.
Government Aids	Social enterprises since are benefitting the weaker sections of the society so the government also tends to value them more and is lenient to them in terms of taxes to facilitate growth and maintain survival.	Commercial enterprises donot get such privileges or support from government to this extent.

2.7 SIMILARITIES BETWEEN SOCIAL ENTERPRISE AND COMMERCIAL ENTERPRISE

1. **Process of establishment:** The social and commercial enterprises both emerge from an idea or vision of an innovative mind. Identifying entrepreneurial opportunities and transforming visions into attainable operations.
2. **Common goals:** Both are business entities hence aspire to expand their sales and earn profits although the objectives and goals may differ due to prioritization of financial and social benefits.

3. **Innovative:** Both type of enterprises are businesses that sell innovative goods and services that were never experienced before in the market and are result of unique fresh ideas.

2.8 LATEST INNOVATIONS IN MANUFACTURING AND SERVICE SECTORS

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 r 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 business have flourished due to their innovative customer relationship management and social media fame. For example: 1) Many designers there 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 cryptocurrency 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 have 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 - Nutrilite, Avon etc.

7. Cross industry innovations: Technological innovations lead to rise in cross industry competition. Innovation of smart phones posed competition to watches, offline service providers and computer industry which further resulted in inevitable changes in the traditional services and products to survive. For example, watches had to be evolved into smart watches, offline education institutes had to start doing operations online etc.

8. Minimum or no side effects: Innovations in the manufacturing and service sector are more concerned about reducing the bad effects if any on the life of a customer. For example; Invention of laser technology leads to medical procedures go pain-free, scar free and gives instant results. Service entrepreneurs' these days have to put efforts to convince consumers about the elimination of side effects from their procedures.

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.

2.9 LET US SUM UP

In the age of competitive economy and global business presence, new innovations in manufacturing and trading of goods and services have been frequent and prominent because of arising issues and awareness about environmental and governance aspects of business. Social entrepreneurship brings about a positive change in the world, whereas, commercial entrepreneurship earns profit through acquiring the maximum share in the market. New age entrepreneurs are competitive enough to revolutionize the market with brilliant unique ideas faster than even before a technology becomes common.

2.10 TO CHECK THE PROGRESS

2.10.1 Long answer questions

1. Explain the concept of innovation. What is role of innovation in the success of an enterprise? Why is it considered inevitable for the survival and success of an enterprise?
2. Describe the features of innovation in context of entrepreneurship. Give examples.
3. What is social entrepreneurship? How is it different from commercial entrepreneurship? Give importance of the concept in present era.
4. What are the benefits of innovation to an entrepreneur?
5. What are the latest innovations in the manufacturing and service sector? Explain.

2.10.2 Short answer questions

1. Define innovation.
2. What are the different types of innovation.
3. Define social entrepreneurship
4. Explain the difference between social entrepreneurship and commercial entrepreneurship

BACHELOR OF ARTS

SEMESTER-III

COURSE: ENTREPRENEURSHIP DEVELOPMENT COURSE

Unit III: Entrepreneurial Process

STRUCTURE

3.0 Objectives

3.1 Introduction

3.2 Generation of Business Ideas

3.2.1 Sources for Business Ideas

3.2.2 Approaches to Generation of Business Ideas

3.3 Check your progress-I

3.4 Opportunity Sensing and Identification

3.4.1 Entrepreneurial Opportunity

3.4.2 Elements of Entrepreneurial Opportunity

3.4.3 Transformation of an idea into opportunity

3.4.4 Opportunity Sensing and Entrepreneurial Opportunities

3.4.5 Factors Involved in Opportunity Sensing

3.4.6 Opportunity Identification

3.4.7 Factors affecting Opportunity Identification

3.5 Check your progress-II

3.6 Test of Feasibility of Business Ideas

3.6.1 Entrepreneurial Aspect

3.6.2 Market Aspect

3.6.3 Financial Aspect

3.6.4 Operational Aspect

3.6.5 Technical Aspect

3.6.6 Legal and Administrative Aspect

3.6.7 Ecological Aspect

3.7 Check your progress

3.8 Summing Up

3.9 Suggested Readings

3.10 Questions for Practice

3.10.1 Long Answer Questions

3.10.2 Short Answer Questions

3.0 OBJECTIVES

The objective of this lesson is enable the students to understand the entrepreneurial process. The students will get acquainted with key aspects that should be followed and considered before setting up a business enterprise.

3.1 INTRODUCTION

Entrepreneur and entrepreneurship have become the buzz words in these changing times, where one wants to become self-independent by adopting those tasks and aiming to go ahead on those paths that gives satisfaction. With jobs becoming more insecure because of covid-19 outbreak, people prefer to employ their efforts and reap hard work fruits satisfactorily. The question arises what to do, how to do or where to do? It reflects a person need to think upon with reference to deciding a particular task to undertake. This involves generating ideas, scanning those ideas in terms of opportunities available in the outside world and finally making a feasibility study regarding selecting or undertaking particular tasks. Joseph Schumpeter has truly defined an entrepreneur as the “one who seeks to reform or revolutionize the pattern of a product by exploiting an innovation or more generally, an untried possibility for producing a new commodity or producing an old one in a new way, or a new outlet of selling products.” The question arises how an entrepreneur decides regarding production of a new commodity or how an decide decides to make changes in the designing or production of existing commodity. The process involved in coming to a final decision is referred to as generation of ideas. In other words, in order to make a final decision, firstly an entrepreneur explores different ideas revolving in mind, in order to reach to a specific decision. It hardly happens that a sudden idea comes to mind and it gets selected among other ideas. An individual always try to explore a range of different ideas before selecting and implementing a particular idea. To become successful there is no such condition to have some innovative and different ideas from others, but to act smartly even with the existing ideas. For instance: during lockdown period in India, focus was on transferring knowledge through web only. By accessing the rising need for requirement of comprehensive applications catering to maintaining details of students, attendance of students, keeping the students disciplined while appearing in online exams and so on, a number of applications were developed. One of the applications known a teachmint has been developed by four aluminis of Indian Institute of Technology(IIT), Delhi and Indian Institute of Technology(IIT), Bombay.

3.2 GENERATION OF BUSINESS IDEA

In the moving footsteps for becoming a successful entrepreneur, the foremost aspect involved is generation of business idea. Business idea refers to the concept that will be implemented by the entrepreneur in an economical way. The ideas generated by an entrepreneur may all alone be unique ideas or may involve modification of the existing ones. Further, selection of a particular idea may involve detailed analysis of the generated ideas or random selection of one particular idea. Creativity plays an important role in generating ideas

and then acting upon the selection of the selected ones, which is included under innovation. But certainly, not only entrepreneurs with innovative ideas become successful, there are examples of examples of entrepreneurs who became successful by working smartly even on the existing ideas of ventures also. To quote, Microsoft is not the first mover software company in the market. Similarly, Lakshmi Niwas Mittal's steel company that has become the worlds' largest steel company, was also not the first mover into the steel market.

3.2.1 Sources for Business Ideas

The starting step for start of any business is generation of viable ideas. For this, an entrepreneur may rely on the existing studies or surveys conducted by several organisations including Indian Agricultural Research Institute (IARI), Tata Institute of Fundamental Research(TIFR) etc. These studies are carried out related to a particular field or area of research and includes:

1. **Studies specific to particular area:** These studies involve identification of potential for setting up of business in particular region or district.
2. **Studies specific to particular sectors:** These studies are carried out in particular sectors like medical field.
3. **Studies specific to availability of resources:** These include studies related to exploring for availability of natural and industrial resources.
4. **Studies related to import and export:** These include studies related to identification of import and export facilities and opportunities various products or services.
5. **Studies related to consumption patterns:** A number of studies are conducted by various organisations that determine consumption patterns of different products and services in a particular nation.
6. **Studies related to forecasting of demand patterns:** These studies aim at forecasting the patterns of demand made by various Industrial Chambers including Indian Chambers of Commerce(ICC), PHD Chamber of Commerce and Industry(PHDCCI), [Federation of Indian Chambers of Commerce and Industry\(FICCI\)](#), etc.
7. **Studies involving surveys:** These studies are aimed at making survey of existing industrial institutions.

3.2.2 Approaches to Generation of Business Ideas

A number of approaches can be adopted by an entrepreneur while making search for sources for generation of business ideas:

- a) **Brainstorming:** This is one of the various methods that are used for gaining access to a number of ideas from the various minds of the group. The technique was initiated by Alex Osborn, who opined that generating ideas through brainstorming or from a group of people results in doubling the chances of obtaining creative output. Thus, this technique is useful in obtaining a number of ideas related to the subject in question, which may be for example related to a specific social problem being faced by the society.
- b) **Market Research:** Research refers to conducting search in a systematic and scientific way. Market Research refers to systematic analysis of the market involving carrying

out survey for gathering, organizing and making a detailed analysis of information about market. This further includes collecting information about range of customers in the market, their demands, preferences and expectations. In addition to this, a detailed gathering of information related to existing businesses or types of units operating in the market is also collected. This whole analysis helps an entrepreneur to have an access to a number of ideas based upon the prevalent situation in the market.

- c) **Converting hobbies and interests into business:** Ones' hobbies and interests can be exclusive approach for generating promising ideas related to starting business. For instance, if a person is fond of working belonging to engineering field of electronics, must be fond of working with different parts electronic equipment. Then, while having detailed knowledge like that a person may start business related to trading in electronic items.
- d) **Converting personal strengths and skills into business ideas:** Running a successful business depends on the skills and efficacy possessed by an entrepreneur. It is important for chalking out strengths and skills possessed by an entrepreneur, before converting ideas into opportunities or before selecting a particular business. For instance, one may be fond of paintings but may not so good at creating paintings. While, at the same time, a person may be good at having communication skills. In this sense, a person should can start a business involving selling works of artists or painters to others.
- e) **Focus groups:** Focus group refers to group of people sharing common interests or domain. Focus groups can be formed comprising of near and dear ones who are known to have interests in common. For instance: if an entrepreneur wants to step into information technology sector, then focus groups can be formed including software engineers or others from information technology field as per interest.

3.3 CHECK YOUR PROGRESS-I

- I. Business ideas have major focus on:
 - (a) Development of a product or a service
 - (b) Development of a project
 - (c) Conducting feasibility study
 - (d) Creativity aspect
- II. The foremost task for an entrepreneur is:
 - (a) Generation of opportunities
 - (b) Creation of employment
 - (c) Carrying out feasibility studies
 - (d) Generation of ideas
- III. For generation of ideas, number of organisations conducting research can also be approached by an entrepreneur:
 - (a) True
 - (b) False
- IV. Which of the following approaches can be adopted by an entrepreneur for generation of business ideas:
 - (a) Brainstorming

- (b) Focus groups
- (c) Market research
- (d) All of these

V. For generation of business ideas, which of the following studies can be referred to by an entrepreneur:

- (a) FICCI
- (b) PHDCCI
- (c) Both (a) and (b)
- (d) None of the above

3.4 OPPORTUNITY SENSING AND IDENTIFICATION

3.4.1 Entrepreneurial Opportunity

Opportunity refers to an idea which seems attractive and feasible to an entrepreneur, out of a number of ideas generated by an entrepreneur. It may be referred to an idea which seems to be attractive to an entrepreneur and consider it as base for further making investment decisions. In the words of Peter Drucker, an entrepreneur is the one who always make search for an opportunity and then take appropriate steps for converting opportunity into production and selling of those goods and services.

A lot of opportunities are available around us. Based on ones' own aim and interests, one should be able to spot the available opportunities. With reference to an entrepreneur, an entrepreneurial opportunity refers to a viable economic idea that can be implemented by an entrepreneur to fulfill major economic objective of earning profits.

But before selecting any particular opportunity, it is desirable that an entrepreneur must be able to carry out a two-step analysis beforehand:

- (i) Existence of market potential
- (ii) Adequate return on investment

These key characteristic helps in determining the prospects and viability of the idea in hand, to become a successful venture.

- (i) **Existence of market potential:** Under this, potential for making an entry into some particular business is analysed. For the purpose, the demand and supply patterns are studied. The, possible changes in the existing patterns are mapped for the future. This helps in identifying the gaps that can be grabbed as an opportunity for meeting the shortfalls in changing expectations. For example: instant food items, organic products, fresh juices, etc.
- (ii) **Adequate return in investment:** An opportunity may appear to be unique or may have market potential as analysed by an entrepreneur. But, if the same is not commercially viable or profitable, then it will not be considerate for an entrepreneur to go with that particular opportunity. Whether such an opportunity, is commercially viable or not, further depends upon the other feasibility aspects including technical, economic, social and environmentally.

3.4.2 Elements of Entrepreneurial Opportunity

An entrepreneurial opportunity can be referred to prospects of the ideas that is capable of being converted into a profitable venture. Those prommissible and profitable ventures are found the have following key elements:

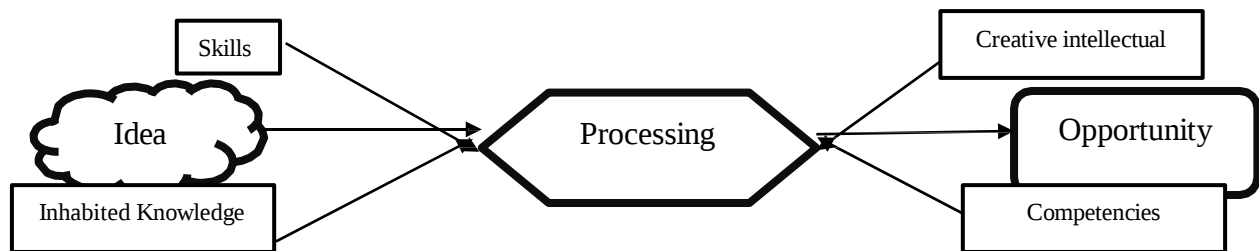
- (i) Wide scope in market
- (ii) Appropriate rate of return on investment
- (iii) Feasibility of the idea
- (iv) Ability of an entrepreneur to make investment
- (v) Growth potential of the business in future

3.4.3 Transformation of an idea into opportunity

Among number of ideas generated by an entrepreneur, an idea that is considered to have enough potential in the market and that is perceived to earn appropriate return on investment in the future, is accepted as an opportunity by an entrepreneur. Some of the elements that are involved and considered for transformation of an idea into an opportunity are pointed below:

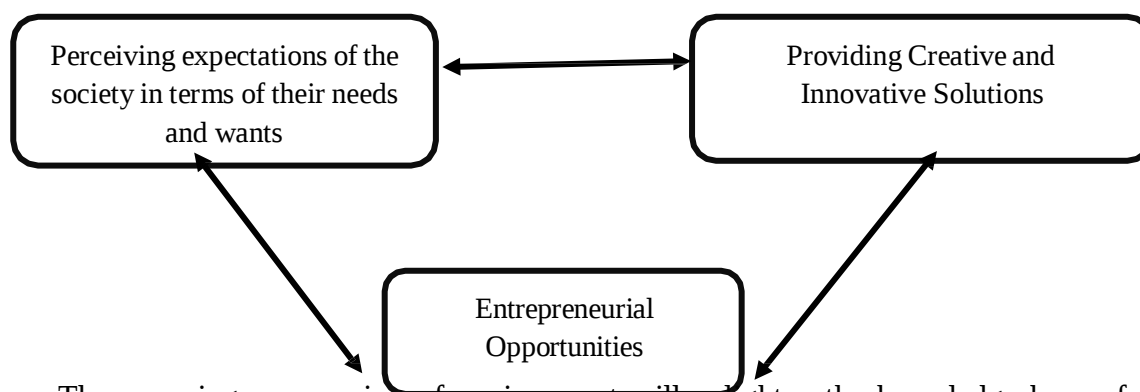
- (i) Knowledge possessed by entrepreneur
- (ii) Skills of an entrepreneur
- (iii) Competencies backed by an entrepreneur
- (iv) Creative thinking ability of an entrepreneur

The above elements reflect that in order to identify viable opportunities, an entrepreneur must apply creative thinking, skills and knowledge to ensure that an idea is capable of being converted into an opportunity.

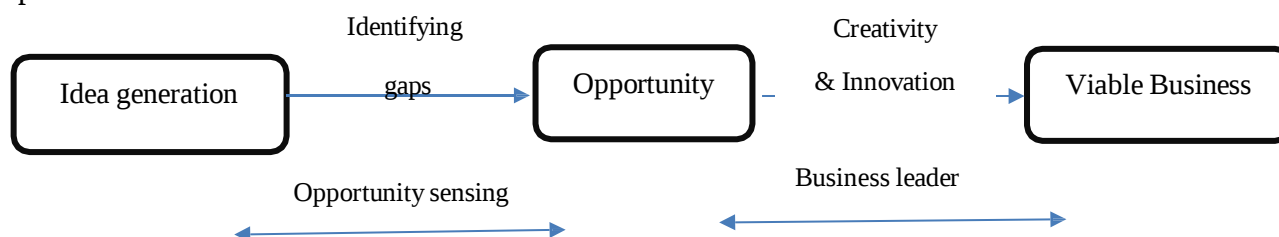


3.4.4 Opportunity Sensing and Entrepreneurial Opportunities

Opportunity sensing involves observational analysis of the environment. It includes observing and understanding the problems being faced by the society, determining expectations in terms of their needs and wants, making efforts to provide creative and innovative solutions. Entrepreneurs are the persons that have strong desires for independence, for innovation and diversification. They are persons of strong imagination and intuition, have full energy, possess good organizing abilities and are considered as risk takers. The most important quality required to be possessed by an entrepreneur is the proactive quality. An entrepreneur has to be very proactive while sensing or scanning the opportunities from the environment and then providing an innovative and rapid solution to the perceived problem. Hence, opportunity sensing refers to the process of perceiving opportunities from the environment, applying ones' entrepreneurial skills, to provide creative and innovations solutions.



Thus, sensing or scanning of environment will enlighten the knowledge base of an entrepreneur, about what needs to be or can be done. While the unique skills possessed by an entrepreneur help to convert those problems into innovative solutions and thereby fulfilling the needs and wants of the society. From here, two unique qualities that distinguish an entrepreneur from ordinary individuals is the ability to timely seek the opportunities from the environment. For instance, Dr Karsanbhai Patel product, Nirma, is considered to have grabbed the market in short span of time only, because of his ability to perceive the needs of the society for a detergent at affordable prices. Another example to quote is the ability to perceive the opportunity to provide affordable car to lower- and middle-class family by Tata company. Then, after perception, applicability of creative and innovative ideas is also important. In this, sense, Karsanbhai Patel Ji came out with Nirma detergent powder and Tata company managed to offer ‘Nano’ at affordable prices.



3.4.5 Factors Involved in Opportunity Sensing

Opportunity sensing involves making observational analysis, identifying gaps in terms of unfulfilled demands of people or problems being face by the society, applying ones’ unique entrepreneurial skills to provide appropriate solutions in terms of products or services required. Thus, a number of factors are involved, that can affect the ability of an entrepreneur in sensing opportunities from the environment. These are pointed below:

- (i) Potential for capturing ideas
- (ii) Potential for harnessing information from varied sources
- (iii) Potential to visualize, being creative and innovative

3.4.5.1 Potential for capturing ideas

Capturing ideas is usually considered as sensing opportunities. While, all the ideas that are perceived are not called as opportunities. Opportunity refers to those idea that are based on the needs, wants or problems being faced by the society. Following are some of the sources from where ideas emerge:

- (i) **Problems:** Whenever any problem exists in the society, then idea emerges to provide solution to that problem, which appears as a business opportunity. For instance: Google, Apple and Facebook initiated from identifying problems only.
- (ii) **Change:** A change in any form, including economic, social, legal or technological, leads to unique business opportunities. For instance: health conscious behavior of people has resulted in growth of organic products market in India.
- (iii) **Innovation:** Entrepreneurs are considered as good at scanning environment to trace opportunities for developing innovative ideas. A traced gap provides an opportunity to entrepreneur to develop new product or provide existing product or service in an innovative way. For instance: watches to smart watches
- (iv) **Competition:** In order to beat the competition or the competitors, an entrepreneur tries to act in an innovative way, that results in emergence of more and more of new opportunities.

3.4.5.2 Potential for harnessing information from varied sources

An entrepreneur should have the ability to harness information from various available sources like research organisations, magazines, friends, family etc. The information harnessed from different sources is then examined and analysed in detail, in order to identify exact opportunity and convert it into a viable business.

3.4.5.3 Potential to visualize, being creative and innovative:

Creativity is the basis of innovation. Creativity is thinking about new ideas, while innovation is doing new things. An entrepreneur should have the potential to visualize change, and then act in a creative and innovative way to grab the change and convert it into opportunity. An entrepreneur should have the potential to overcome all the challenges that come on the way while grabbing opportunities

3.4.6 Opportunity Identification

Identification of entrepreneurial opportunities is considered as one of the most promising ability that is expected to be possessed by an entrepreneur. Opportunity is identified through a gap analysis, i.e., what all is there with the people, and what can be provided to them to meet their augmented set of expectations. For instance, communicating with friends or relatives used to be very complex but required task. People used to communicate with telephones from their homes or by going top STDs to connect with each other. Seeing the opportunity, mobile phones came into being. Over a period of time, smart phones having applications having the power to connect overseas people at low or no cost came into being and so on. Thus, an opportunity is that idea that emerges out of the product or service that is lacked by people or is demanded by people in order to improve their lives.

Schumpeter defined an opportunity as “the chance to meet a market need, interests and wants through creative harnessing of resources and providing superior values.”

3.4.7 Factors affecting Opportunity Identification

A number of factors affects the potential of the entrepreneurs to identify the opportunities available in the market. These are pointed below:

3.4.7.1 Proactive ability of entrepreneurs: Identification of opportunities from the environment depends upon the proactive ability of an entrepreneur. An entrepreneur has to be proactive in terms of identification of an opportunity at an early stage only, so as to be able to fulfill the gap related to the need of different parties involved in the supply chain of products or services. Proactiveness can be related to the unfulfilled needs or the unfulfilled and most valuable needs that are required to be met on time. Thus, entrepreneurs are persons who are considered open minded, have creative ability to provide solution to the gap recognized in an innovative way,

3.4.7.2 Past Experience: Past experience or previous knowledge are the key sources that affect the search ability of the entrepreneurs for identifying opportunities in the market. Generally, an entrepreneur identifies or make search for new opportunities based upon their past knowledge and experience. Prior knowledge may be based on the experience of the entrepreneur in a particular field or based upon interest of entrepreneur in a particular field.

3.4.7.3 Social Networking: In changing times, where everyone is able to connect across countries or regions, having strong network acts as a major source for identifying opportunities. A number of social networking sites have developed that has made possible for the entrepreneurs to connect across nations and regions, including linkedIn, facebook, twitter, Instagram, among others. These online platforms enable the entrepreneurs to exchange valuable views, ideas and opportunities on real time basis.

3.4.7.4 Creativity: Creativity is considered as a seed sown by successful entrepreneurs. Creativity involves thinking of new ideas or about developing new products or services. Creativity ability of an entrepreneur helps to engage in new and innovative ways to fill the gaps of wants or desires of people. A creative entrepreneur is able to identify the opportunities in terms of what new products or services can be provided to people or to provide the existing product in an innovative way. For instance: Zomato by contracting with different food outlets, came up with unique feature of delivering varieties of food at home only. Byju's app came up with the aim of widening the learning experience of students. Thus, creative ability of an entrepreneur, helps to explore the unexplored opportunities.

3.5. CHECK YOUR PROGRESS

VI. Business opportunity refers to a proven

(a) business idea (b) creative idea (c) plan for a project (d) innovative idea

VII. A process by which opportunities are identified can be called as Opportunity sensing (a) True (b) False

VIII. Sensing opportunities involve providing innovative solution to needs and problems of the society.

- (a) True (b) False

IX. Which of the following factor/s are involved in sensing opportunities?

- (a) Potential for capturing ideas
- (b) Potential to harness information from varied sources
- (c) Potential to visualize, being creative and innovative
- (d) All the above

(X). Past experience or previous knowledge possessed by an entrepreneur affects the type and extent of opportunities identified by an entrepreneur.

- (a) True (b) False

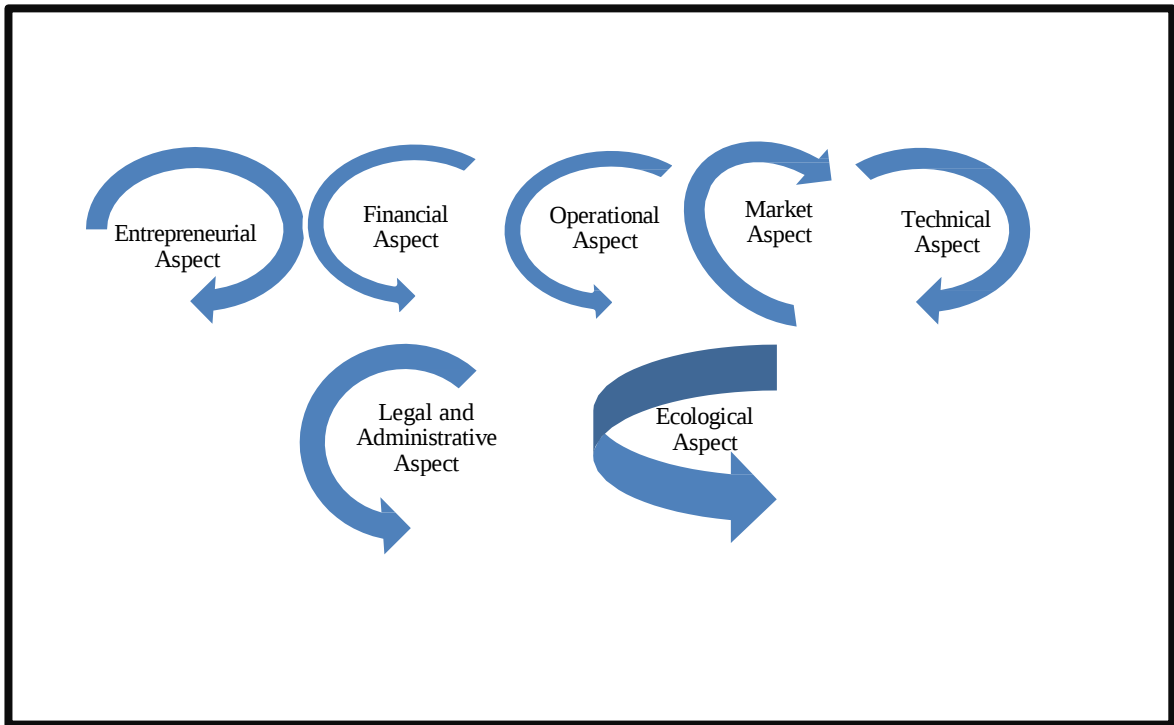
3.6 TEST OF FEASIBILITY OF BUSINESS IDEAS

In a complex and dynamic business environment, there is no assurance for the success of any business. Generation of business ideas not the only exercise for starting any business. Those business ideas must be scrutinized from different perspectives including technological perspective, economic perspective, financial and legal perspectives. For the purpose, it is appropriate to test the feasibility of the business ideas, before converting any business idea into business enterprise.

Feasibility testing involves examining the viability of the business ideas in light of environmental factors-internal or external. Feasibility testing acts as a base for implementation of any business idea. Feasibility testing determine the possible risks that may arise from the acceptance of any business idea and provides the possible success rate for the proposed business enterprise.

Viability testing consist of comprehensive examination of the ideas in hand from different perspectives. All the perspectives should be studied simultaneously and comprehensively, because a project may be viable from one perspective but not from other perspective. For instance, when IKEA decided to enter Indian market, it considered Indian market as viable, but it was not able to initialize its operations in India for many years, due to non-fulfilment of legal formalities and the investment regulations framed for foreign enterprises.

Broadly, feasibility testing of a business idea involves analysis of following interrelated aspects:



3.6.1 Entrepreneurial Aspect: The success or failure of any business enterprise depends upon the skills possessed by an entrepreneur. Thus, every business idea should first be scrutinized in terms of skills possessed by an entrepreneur. Following are some of the personality traits and skills that are expected to have been imbibed by an entrepreneur:

- (a) Risk taker
- (b) Full determination
- (c) Ability to work with full persistence
- (d) Strong will power and self confidence
- (e) Adaptability to changing situations
- (f) Rational decision maker
- (g) Act critically
- (h) Energetic

3.6.2 Market Aspect: Assessing the market potential of the perceived idea is a key consideration for testing the feasibility of any business idea. While testing the market aspect of any business idea, a number of important aspects are considered. These can be pointed as:

- (a) Determining locational aspect of market
- (b) Ability of the perceived product or service to meet unmet demands
- (c) Estimated demand for the products and services
- (d) Production possibilities and constraints related to production
- (e) Behavior of the consumers, their intentions, attitudes and preferences
- (f) Extent of competition in the market
- (g) Imports and exports pattern or possibility of the perceived products or services
- (h) Distribution channels

(i) Marketing policies

3.6.3 Financial Aspect: To scrutinize business ideas from financial perspective, one of the strategies is making projections regarding the expected cash flows from the project in future. In addition to this, a number of other financial aspects of the proposed business idea are also examined:

- (a) Estimating the extent of investment required to be made
- (b) Estimation of the cost of the proposed project.
- (c) Determining the different sources of finance
- (d) Determining optimum capital structure
- (e) Determining estimated cash inflows and outflows of the project
- (f) Ability to meet service obligations related to debt, if any.
- (g) Adequate rate of return on investment

3.6.4 Operational Aspect: From the operational aspect point of view, the mingling of the proposed idea with the operations of the business is examined. This is tested in order to ensure smooth flow of different activities of the business. A number of factors are considered while testing the idea from the operational aspect point of view:

- i. Business processes
- ii. Size of the plant
- iii. Capacity of the plant
- iv. Equipment
- v. Infrastructure
- vi. Supply chain management system
- vii. Adaptability to modern technology

3.6.5 Technical Aspect: The test for technical aspect of the proposed idea examines the technical feasibility of the idea. Under this, a review of different techniques and the processes that shall be applied and incorporated, is made. These include:

- i. Describing manufacturing process
- ii. Identifying location and layout of the plant
- iii. Assessing desirability of the location of the plant
- iv. Assessing the ease of availability of the raw materials at the site of the plant
- v. Assessing the requirements of labor force
- vi. Assessing the techniques to be adopted for management of waste
- vii. Estimation of the cost of production with the proposed technique

3.6.6 Legal and Administrative Aspect: An important test of idea feasibility that is done is the examining of the idea from the legal and administrative perspective. It includes study of legal and administrative aspects according to different forms of organizations, registration of the proposed business idea, and process of getting clearing and approvals from various regulatory authorities. The main objectives for examining the legal and administrative perspective of the idea are to:

- i. Confirming the viability of the business idea
- ii. Identify potential risks
- iii. To ensure smooth implementation of the business idea.

3.6.7 Ecological aspect: It is important to examine the ecological aspect of the proposed business idea also. Project ideas related to power sector, irrigation, drug

manufacturing units, chemical and leather processing units among other environmental polluting units have become highlighted due to major environmental implications. Thus, it is required to ensure that:

- i. The idea will not result in damage to the environment
- ii. What costs in terms of restoration procedures will have to be incurred to avoid damage to the environment.

3.7 CHECK YOUR PROGRESS

XI. Ability to meet service obligations related to debt refers to testing aspect of an idea.

XII. Ecological analysis involves examining the likely damage that a process can cause to the environment. (True/False).

XIII. Feasibility testing acts as a base for implementation of any business idea. (True/False)

XIV. Assessing the techniques to be adopted for management of waste is included under making analysis of the proposed idea.

XV. Market analysis involves making an estimation for the demand for the products and services. (True/False)

XVI. aspect involves scrutinizing business idea in terms of skills possessed by an entrepreneur.

3.8 LET'S SUM UP

In today's dynamic and challenging environment, it is very important to move systematically and very cautiously, while taking a strategic decision. Entrepreneurial process involves key steps to be followed and considered for setting a business enterprise. When an entrepreneur thought of setting up any particular enterprise, then a number of ideas get mingled in the mind of the entrepreneur. It is very important to analyse those ideas, in order to examine the opportunities that exactly exist in the environment. After that, another key important task is to test the feasibility of the selected ideas from different perspectives, in order to test the viability for setting up of a business enterprise. For testing the viability of the ideas, different tests of feasibility, vis-à-vis financial, ecological, legal, administrative and technical aspects are done. It may be possible, that an idea may be feasible from one perspective but not from other perspective, thus an optimal decision at this stage has to be taken by an entrepreneur, before converting a particular idea into a final decision for setting up of an enterprise.

ANSWERS FOR CHECK YOUR PROGRESS

- I. (a)
- II. (d)
- III. (a)
- IV. (d)
- V. (c)
- VI. (b)
- VII. (a)

- VIII. (a)
- IX. (d)
- X. (a)
- XI. Financial
- XII. True
- XIII. True
- XIV. Technical
- XV. True
- XVI. Entrepreneurial

3.9 SUGGESTED READING

- Hisrich, R.D., Peters, M.P., & Shepherd, D.A. (D.A.).(2017). *Entrepreneurship*. McGraw Hill Education.

3.10 QUESTIONS FOR PRACTICE

3.10.1 Long answer Questions

- 3.10.1.1. What to you understand by feasibility testing? Explain the different perspectives that can be followed for testing the feasibility of business ideas.
- 3.10.1.2 Discuss opportunity sensing in detail.
- 3.10.1.3 Describe the various sources for generation of business ideas
- 3.10.1.4 Define opportunity identification. What are the various factors involved in opportunity identification?
- 3.10.1.5 Describe the various approaches to generation of business ideas.

3.10.2 Short answer questions

- 3.10.2.1 Write a short note on market aspect for testing feasibility of business ideas
- 3.10.2.2 What do you understand by opportunity sensing?
- 3.10.2.3 Discuss approaches to idea generation.
- 3.10.2.4 What is brainstorming?
- 3.10.2.5 Discuss operational aspect for testing feasibility of business ideas.

BACHELOR OF ARTS
SEMESTER III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT 4: BUSINESS PROPOSAL AND PROJECT REPORT

STRUCTURE

4.0 OBJECTIVES

4.1 INTRODUCTION

4.2 DEVELOPING A BUSINESS PROPOSAL

4.2.1 BASICS OF WRITING BUSINESS PROPSAL

4.2.2 STRUCTURE OF BUSINESS PROPSAL

4.2.3 EFFECTIVE BUSINESS PROPSAL

4.3 CONTENTS OF A BUSINESS PLAN/PROJECT REPORT

4.3.1 WHAT IS PROJECT REPORT

4.3.2 CONTENT OF PROJECT REPORT

4.4 PROJECT APPRAISAL BY EXTERNAL AGENCIES

4.4.1 WHAT IS PROJECT APPRAISAL

4.4.2 OBJECTIVES OF PROJECT APPRAISAL

4.4.3 TYPES OF PROJECT APPRAISAL AND ITS DIFFERENT ASPECTS

4.5 BUSINESS PLANNING

4.6 LET US SUM UP

4.7 TO CHECK THE PROGRESS

4.7.1 LONG ANSWER QUESTIONS

4.7.2 SHORT ANSWER QUESTIONS AND ANSWERS

4.0 OBJECTIVES

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

- How to Develop a business proposal,
- Contents of a Business Plan/project report

- Project appraisal
- Business Planning

4.1 INTRODUCTION

All ventures need to be planned properly before carrying its operations. For successful entrepreneurship, the process of business planning requires how much finance and human resource it required to execute that plan. Therefore, it also needs a well thought out business proposal because a proposal prepared after proper appraisal helps to bring positives results.

Business proposal needs proper attention and concentration before writing. While writing it needs proper format, so that every chance of its rejection is ruled out. After writing business proposal, proper appraisal is must that is done by a third party means by a person that was not involved in writing project report. There are various methods to do the appraisal of project and after doing proper analysis only that proposal is accepted that gives maximum benefit at minimum cost. The project report is an important tool that helps management in recognizing problem and to find the best solution.

4.2 DEVELOPING A BUSINESS PROPOSAL



A business proposal is a formal document created by a company and delivered to the prospective for securing a business agreement. It needs proper analysis because a proposal prepared by doing proper appraisal brings not only positives results but also makes a leader's position more trustworthy. Business proposal requires proper formatting and content otherwise it may be rejected on first glance. It has been already proved that business gave their decision of accepting or rejecting a proposal within 24 hours just by giving a first sight.

Hence, it is very important to go through critical analysis while preparing business proposal to attract reader and make that as much valuable to accepted at first look. The method how to write business proposal, what are basic elements that needs to be added, what makes a business proposal more effective will be discussed in upcoming fragments as follows:-

4.2.1 Basics of writing a Business Proposal

There are two main types of writing a business proposal:-

1. Solicited

2. Unsolicited

- **Solicited Business Proposal:-** This is a proposal that is requested by clients and needs less research because client includes almost his all information that is necessary to add and important to add. not only this client also tells his requirements in REP (request for proposal) that makes this type of proposal writing easy.
- **Unsolicited Business Proposal:-** These business proposal are alike cold emails. These are the proposals that sent to potential investors, clients and customers by keeping expectation in mind that they will read it and ask for more information. In this type of proposal REF document is not provided first so you have to do research in detail by own about your audience prior writing it.

4.2.2 Structure of Business Proposal

Let us take detailed knowledge of all the points necessary to be covered under the business proposal as follows:-

1. Title page
2. Table of contents
3. Executive summary
4. Problems
5. Solution
6. Your qualification
7. Cost summary
8. Terms and conditions
9. Agreement

1. Title page: The title page should be clear and giving the necessary information like name, name of an entrepreneur's audience and topic of proposal.

When sending proposal to an external audience:--When proposal has been sent to an external audience it is necessary to include full name of business then own name and relevant information to make contact with the business.

When sending proposal to an internal audience:- For this type of proposal, it is more important to focus on proposal. The title should be like clearly reflecting what are the problems that an entrepreneur is going to solve and what are appropriate solutions to ameliorate that problem. For instance, proposal is "proposal to increase marketing budget". then it should be clearly written what is need to increase marketing budget and how it can be done.

This page must be simple and clean in both writing, layout and content, it should not be confusing or having unnecessary data. adding to many graphs or mathematical data is not recommended because it makes reading boring and uninteresting.

2. Table of contents: Table of contents includes a detailed list of topics that an entrepreneur is going to cover in proposal. It is crucial especially when proposal is too longer. It helps the reader to find out topic means it helps in navigating topics.

Two points are important to consider as follows:-

- If an entrepreneur is going to submit business proposal physically means in printed form, then add page number with title as well.
- If an entrepreneur is submitting proposal in electronic formatting, then link each title with the corresponding section, hyperlink can be added for this.

3. Executive summary: As its clear from the name executive summary, it is a brief summary of content you are going to present in your proposal.

- If an entrepreneur is writing proposal to outsiders, then it is first chance to tell about himself and brand, business and what needs a proposal will fulfill and how an entrepreneur is thinking to fulfill it.
- If an entrepreneur is using business proposal for internal purpose there is emphasis only the reason means why he is submitting his proposal and what will the advantages of this proposal to company. In this point all things should be simple, and short, exaggeration of points makes the content boring.

4. Problem: In this section, an entrepreneur has to write in detail about the problem for which he is trying to find solutions. This is the section of proposal that gives him the chance to prove that he is understanding that what is the problem and what are requirements that are needed to follow to solve that particular problem. There is utter need to clear why it is necessary to solve this problem. The main point to be follow in this part is that information should as detailed as possible but with relevancy.

5. Solution: In this part of proposal a clear and full detail of solution is given. Not only this, benefits also be discussed. Points to be follow are mentioned as follows:-

- Clear your audience what are the actually main problems that he is facing and what are the ways why adopting that he can avoid that problem.
- Tell your audience why your solution is the best solution and unique from others, what will the outcome or benefits if audience follow your solution.
- While writing this part focus fully on your audience to make it more convincing.

6. Qualification: In this part of an entrepreneur's proposal have to make the audience that he has the required experience with the solution of a problem. There are various reasons due to which this part is important as follows:-

- Your client, customer or investors may be unfamiliar to your business so this section make them familiar about you, your experience and business.
- Not only for external proposal but also for internal proposal this section is productive because there may be colleagues with whom you have little communication before.
- There is no need to add this section in solicited proposal because REF document clears that your audience knows you and have already knowledge about your qualification.

- In this section way of writing also matters as the content have value. There is need to have high confident tone to create your reader's interest to consider it.

7. Cost summary: Cost summary should also be part of an entrepreneur's business proposal. In this section, he will write the financial cost of his business proposal. Besides this, others costs such as time and cost for collecting resources should also be added. Necessary points to follow are:-

- Make sure all costs should be written differently so that your audience can know for what and how much amount you are charging for.
- Try to make a difference between necessary cost and costs that can be reduced or cut off.
- If you are submitting your proposal in electronic form there is need to add table of price to make clear your client about your cost that occurs.

8. Terms and conditions: Legal formalities are added in this section such as "terms and conditions" of an entrepreneur's agreement. There is no need to add this section if internal proposal is written but it is must in external proposal. Here you need to keep wording easily otherwise legal terms may confuse the client.

9. Agreement: When an entrepreneur's client accept proposal, then both sign that proposal. Full name and signature of both are necessary. Contact information should also be added so that client can contact, if they have any question. This section must be simple too.

4.2.3 Effective Business Proposal

There are numerous points that takes value, to make the business proposal more clear and effective. The paramount feature of writing business proposal is, it should have right format and correct information so that proposal can give attractive look and be read easily. These points have been explained as follows:-

- **Focus on audience's need:** While writing business proposal there should focus on needs of audience and keep in mind what can be solutions according to their needs so that audience's needs could be fulfilled by following the effective measures.
- **Proposal should be easy to read and understand:** Format of business proposal should be simple and easy to follow. The content should be concise and free from confusing words and exaggeration so that anyone can read that proposal without any difficulty.
- **Proposal should be written in confident tone:** Proposal must be written a confident tone. It should be like that can convince the reader because if an entrepreneur is not confident enough while writing proposal, how the reader would be?
- **Business proposal should give professional look:** Look of business proposal should be professional and free from errors. Informal look or content with errors may distract the reader or make it unattractive to read.

4.3 CONTENTS OF A BUSINESS PLAN/PROJECT REPORT

4.3.1 What is Project Report

All detailed information about the proposed project is called project report. It is a written proof of all activities and operations that will be done to achieve the desired results. It is the project report that clarifies the business plan, goals and objectives and converts the business idea into a productive task. For taking more benefits, all different aspects such as; Technical aspects, managerial and production aspect, economics and financial aspects are considered in detail in this report. The project report is an important tool that helps management in recognizing a problem and to find the best solution. Besides this, project report clears what will be the cost of operations if done and how much profit that proposed project will bring to a company or business.

4.3.2 Contents of project report

1. Title: The first page that will tell about the title of project and the name of author. This will mention clearly the industry's name and detail for which project report is written. Project scope also a part of title that is ought to be added.

2. Abstract: This section of report is added to provide an idea to client about the project report, it is brief summary of parts of the report. It is written in minimum length, and the fundamental purpose of adding this is that anyone can check, from abstract, whether this proposal is of their interest or not and he has no need to go through all the project report before giving view on proposal.

3. Acknowledgement: This part of project reports concerns about the people who have helped while doing project work. A humble thanks is done to all who contribute their time and efforts during work on your proposal.

4. Content page: Content page is added to clear the path of project report. It tells what are the main chapters and subsections that have been added into project report, what is page number from which that chapter starts or ends, what are main subheadings. The real purpose behind this part is make the reader easy to understand all points and navigate any chapter, subsection or subheading easily.

5. Introduction: This is the key part of report to be addressed carefully. This part of report describes the scope and nature of report, background of the project, all important things of report, and technical material in detail.

6. Background: Background can be added into introduction if work on small grounds but if you have done excessive research and ground work then it is advisable to make a different section of it. All detailed information about goals, information necessary to achieve that particular goals, all pieces of work done in getting that goals are added clearly. Also, sources of work done must be included.

7. Body of report: This is a middle part of project report, having mainly three to four chapters according to project. This section tells about technical work done for completing project. Clear the reader or client why an entrepreneur has chosen such approach despite having

alternatives. All interesting features and problems during implementation should be written clearly.

7. Conclusion and future work: The success and failure both are concluded into this part because no project can be perfect completely and each one some failure or limitations. Project should also tell about future work of project.

8. Bibliography: The number of books, internet websites, articles, journals, manuals, research studies or anything that is used while doing project need adding into this section of project report. Full and accurate detail of all resources with title, page number, and website address should be mentioned.

9. Appendix: Some necessary things such as; Tables, charts, graphs, that have been used and necessary to give a clear look to project report are added into this part of report.

10. User guide: Last section of project report is user guide to make understand the user. For instance, you are writing a project report on development of a new software or development in a particular existing modal of some product then you should guide your client how to use that software or product. For illustrating properly some process diagrams, flow charts can be added to tell how to use that thing. This component of report should be kept simple and brief to keep reader free from confusion.

4.4 PROJECT APPRAISAL BY EXTERNAL AGENCIES

4.4.1 What is Project Appraisal?

After writing project report the next noteworthy step is project appraisal. This is done to do evaluation of all important factors of the project to check whether this particular business proposal is viable or not. There are numerous methods and tools for doing appraisal so that decision can be taken regarding acceptance and rejection of project such as economic appraisal, financial appraisal, templates of excel and many other decision techniques.



“Project appraisal is a systematic process to assess the viability of a project . It involves checking the viability of the project before accepting it to execute. It is a tool that helps the company to select the best project appraisal that can bring maximum profit to company.”

Project Appraisal is a consistent process of reviewing a given project and evaluating its content to approve or reject this project, through analyzing the problem or need to be addressed by the project, generating solution options (alternatives) for solving the problem, selecting the most feasible option, conducting a feasibility analysis of that option, creating the solution statement, and identifying all people and organizations concerned with or affected by the project and its expected outcomes. It is an attempt to justify the project through analysis, which is a way to determine project feasibility and cost-effectiveness.

Features of project appraisal:-

There are some features of project appraisal that are discussed below:-

- Project appraisal helps to evaluate the key factors of project.
- Helps to take decision whether proposal should be accepted or not.
- Project appraisal helps to check the viability of project so that maximum benefit can be taken from that project.

Steps in the project appraisal process:-

There is a proper process to do project appraisal as follows:-

1. The first step is initial assessments.
2. Problem is defined and long-list is prepared.
3. Consult and short-list.
4. Evaluation of alternatives.
5. Comparison and selection of project.

4.4.2 Objectives of Project appraisal

Before accepting a project, it is necessary to do its appraisal. It helps to do evaluation of key factors of the project and also, to check the viability of a project. Project appraisal process has the following objectives:-

- (a) Assessment of project is done to check the viability of project in terms of social, economic and financial.
- (b) Make a decision whether project should be accepted or rejected.

Project appraisal in the international context:- When appraisal of project done in an international context, the viability of project must also be checked in terms of technical, economics, financial, management and governance.

4.4.3 Types of project appraisal and its different aspects:-

Project appraisal goes through different types of appraisal, before committing a Project. It is mainly done by a person that was not involved in the preparation of the project proposal. Project is evaluated from the following aspects:-

1. Organizational aspects
2. Technical aspects

3. Financial aspects.
4. Economic aspects
5. Marketing aspects
6. Commercial aspects
7. Ecological appraisal
8. Social appraisal
9. Cost-effectiveness analysis.
10. Legal appraisal

Project appraisal guidelines:-

Guidelines for doing project appraisal are:-

1. Several aspects are there that can be used for making assessment about project.
2. Economic, social , and financial viability can be checked properly.
3. Appraisal should be done by a person that was not involved when project proposal was being prepared.

Project appraisal methods:-

1. **Organizational analysis:** Organizational analysis is that appraisal method in which assessment of growth, operations done by personnel and working environment of entity is done. this analysis is crucial because it enables management of that organization, able to find the areas of weakness and some approaches to ameliorate that problems.
2. **Technical analysis:** It is the appraisal of technical and engineering aspects when a project is examined. In this assessment all tools, techniques, designs, plans and schedules are properly checked so that a wise decision regarding project can be taken.
3. **Financial analysis:** As the names clears it is analysis of finance aspect of project means assessment of cost and revenue of project. The worth mentioning benefit of this analysis is it helps the company to understand the both cost and revenue aspect in detail so that company can understand what are points of overspending and it can avoid extra spending on resources and requirements to get the maximum output. All alternatives are checked properly to select the one that have less cost and maximum revenue.

Some key points that needs to understand while doing financial analysis:-

- (a) Cost: The first step is to check that what will be the cost to complete the project and get the best output.
- (b) Product pricing is being set for getting profit.
- (c) Financing: Financing aspect tells how to use fund in an efficient way.
- (d) Investment and income: Profit and investment aspect should be checked properly .Only that

Project is accepted in which profit exceed its investment.

4. **Economic appraisal:** Comparison between benefits and cost of project calls economic analysis. Some points can be understood to perform the economic analysis. These points are following:-

- (a) How much benefit project will bring?
- (b) What are unique features of project due to which it will bring more profit?
- (c) Justification by comparing the cost with benefits.

Benefits of project that need to be checked such as; Better result, services, revenue, More earnings, Better standards, More income, Better distribution and employment etc.

5. **Market and commercial analysis:** This is a appraisal in which opportunities available in the market are assessed properly, despite this marketing objectives and marketing process plans are assessed in a detailed way.

Commercial appraisal is alike economic appraisal but its scope is narrow. Its main focus is on to check whether a proposed project will be beneficial in a commercial sense or not. A proposal would be considered commercially good if it will bring sufficient revenue to cover its costs and achieve acceptable financial rate of return. This appraisal is done in both private and public organizations.

6. **Ecological Appraisal:** Ecological appraisal of project means it has been checked that what will the impact of project on the quality of:- Air, Water, greenery and noise. There are some big projects that cause environmental damage such as; Power plants, Irrigation schemes and many Industries like industries involved in bulk drugs, chemicals and leather processing. In case of these industries damage & the cost of restoration is checked properly.

7. **Social Appraisal:** A social appraisal means the project design and the process of project is monitored from a social perspective. Particular attention is given to the impact of the project on different stakeholders, their opportunities, and how much project contribute in reducing poverty.

Social appraisal includes the analysis of stakeholders and their participation on the distinction of primary, secondary and key stakeholder is done properly.

8. **Social Cost Benefit Analysis:** Cost Benefit Analysis (CBA) is done to check the proposed investment in terms of the welfare of society. Social benefits and costs are assessed in the monetary terms. Cost benefit analysis not only helps to make choices between available alternative investment options but also tells about the project worth.

This analysis is mainly used for investments in public sector. This analysis differs from financial appraisal that see an investment only from individual participants, tells about private benefits and costs. While on the other hand, CBA is a wider approach it considers both monetary and non-monetary benefits and costs and finds the true price according to environmental and social value.

9. **Legal Appraisal:** Legal appraisal is done to do analysis whether the project satisfies the legal issues for example acquisition of land, title deed, environmental clearance etc.

4.5 BUSINESS PLANNING

All ventures that are planned properly get more success than ventures without planning. The business planning process requires in entrepreneurship because it helps to find what are basic requirements and need to establish an entrepreneur, and how much finance and human resource is required to execute that plan.

Business planning is not a difficult task whether it is a new venture or an established one. The first step is do a analysis of your competitor means check what types of product and services they are providing to their customers. Then check what will be the uniqueness of your product that will help you to take advantage over your competitor and will attract customers. Also make planning how your product will fulfill customers' need. The next step comes when you make strategies for introducing products and services in the market. Cost of production of products or services is also calculated. Not only this, marketing costs also required to find to attract your customers. The managerial and staff resources also necessary to judge at the earliest pace.

- **Know your customer:** It is must for every entrepreneur to do a detailed analysis to understand who can be the target customer to whom product can give maximum benefit. It also helps to make decision about product accordingly and also attract customers when product is prepared according to their choice. In this step customer's features according to demographic place is also checked out. Not only this, a deep detail of competitor's product also matters a lot. Assess their strength to be prepared before launching product into market and also weakness to find the areas from your can take advantages and capture customers from them. Communication with different age group also keeps value because by this liking and disliking can be known earlier.

Skills requires for getting success: Success strategies are planned in advance means mission is decided in which entrepreneur decide what are the targets for next three to five years. Once long-term goals are decided, then short term goals are fixed to fulfill that short term goals. A detailed knowledge of finance is mandatory in this step so that costs of running a business can be found and work can be done accordingly.

Importance of business planning:-

Entrepreneurs must focus on writing the whole business plan document. Some entrepreneurs do not devote their full on writing this planning process because they do not give proper value to this document. This planning process is like road map that helps you to get desired goals and success.

Despite this, investors and lenders also see this document before investing their money into a venture. They like to invest money in an entrepreneur that they think ,has some effective plans for future.

A business plan tells various things as follows:-

- (1) What product or service you are going to offer?
- (2) What are required tools, human resource, financial resource, facilities and equipments?
- (3) The other things that need to considered are, what is the construction process and what steps are needed to follow to complete that process.

- (4) A business plan should tell the story of your company before it happened.
- (5) What are companies' plans for next three to five years?
- (6) What will be revenue growth and profitability?
- (7) It provides a clear photo of what will the position of company in future like its size, scope market share and edge over competitors.

As it is clear that a business plan is like a road map. Entrepreneurs often use business plans to help guide them by this they help business owners that they can see the bigger picture, plan ahead, make important decisions. There are points that clears value of business plan as follows:-

- 1. Help business owners in make better decisions:** Planning is base of everything and value of planning is much more in a new venture. It helps business to do work on right time and solve any critical situation if a business face.
- 2. Tells about the viability of the business:** Business plan tells about the ability of a business like how business will work and what is its strength and value.
- 3. Act as a guide for service providers:** Every service provider like lender, banks, worker like to check business plan. They want to give their services in a business that has better scope for future and more chances of getting growth.
- 4. It reduce risk:** Entrepreneurship is a risky business and that risk becomes significantly more manageable when it is tested against a well-organized plan henceforth business planning is more important.
- 6. Business plan act as a communication device between company and stakeholders:** A business plan is a communication tool used to secure investment capital from different financial institutions. It helps to convince people to work for your enterprise and secure credit from suppliers and attract customers that a fundamental requirement of every business.
- 7. Business plan helps you to find weakness:** Business plan helps you identify weakness in your idea. Plan can be shared with others who can give you their opinions and advice such as experts and professionals can be identified who are in a position to give you advice and they will be able to give their advice if you have a proper planning process.
- 8. Business plan helps to develop a market strategy:** It is business plan that helps to develop different market strategies like how much is the potential area where product or service can be offered and what is ability of company according to market.

4.6 LET US SUM UP

A business proposal bridges the gap between an entrepreneur and his clients. It is a document to define a project that needs proper attention and concentration before writing. Proper format is followed while writing business proposal otherwise it may be rejected. After writing business proposal, proper appraisal is must that is done by a third party means by a person that was not involved in writing project report. There are various methods to do the appraisal of project and after doing proper analysis only that proposal is accepted that gives maximum benefit at minimum cost. Furthermore, proper writing of project report helps in project appraisal and to check its feasibility. Project report consists of information on economic,

financial, and managerial aspects etc. Finally, an effective business planning needs to take into consideration the organizational goals, policies, and strategic programs to ensure its compliance.

4.7 TO CHECK THE PROGRESS

4.7.1 Long answer questions

1. How effective business proposal can be written and what is structure of business proposal?
2. What is project report and what are main contents of business report?
3. What is project appraisal? Explain its meaning and objectives?
4. What is business planning? Discuss its importance in detail.

4.7.2 Short answer questions and answers

1. Which question about the project should be answered in the problem statement section?
 - a. What
 - b. Who
 - c. Why
 - d. When
 - e. All of the above

ANSWER: c

2. Which section of the project proposal should explain how the project will be delivered?
 - a. Problem statement
 - b. Objectives
 - c. Technical approach
 - d. Project team

ANSWER: b

3. Project appraisal enables:-
 - a. To know cost benefits
 - b. Technical feasibility
 - c. Economic & Environmental viability
 - d. All of the above

ANSWER: d

4. As a result of poor project appraisal
 - a. We may end up with no demand for the project
 - b. We may incur losses
 - c. We will save money

d. a & b

ANSWER: b

5. Project appraisal gives an indication about the

a. Total viability of the project

b. Financial, Economic & Social benefits only

c. Only technical viability

d. None of the above

ANSWER: a

BACHELOR OF ARTS
SEMESTER-III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT 5: ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDP)

STRUCTURE

5.0 OBJECTIVES

5.1 INTRODUCTION

5.2 RELEVANCE OF EDP

5.2.1 RATIONALE OF EDP

5.3 ROLE OF GOVERNMENT IN ORGANISING EDPs

5.3.1 INSTITUTE ESTABLISHED BY CENTRAL GOVERNMENT

5.3.2 INSTITUTIONS ESTABLISHED AT STATE LEVEL

5.4 IMPORTANCE OF EDPs

5.5 ACHIEVEMENTS OF EDPs

5.6 PROBLEMS FACED BY EDPs

5.7 SUGGESTIONS TO MAKE EDPs SUCCESSFUL

5.8 LET US SUM UP

5.9 TO CHECK THE PROGRESS

5.9.1 LONG ANSWER QUESTIONS

5.9.2 SHORT ANSWER QUESTIONS AND ANSWERS

5.0 OBJECTIVES

After studying the Unit, you would be able to:

- Understand the detailed concept of EDP.
- Define different programmes of EDP.
- Describe the achievements of EDPs in entrepreneurship development.
- Identify the relevance of EDPs for the growth of economy.

5.1 INTRODUCTION

Entrepreneurs are not born; they can also be nurtured through education, training and experience. Though entrepreneurial talent is existing in every society but socio-economic environment obstructs the emergence of entrepreneurial talent. Proper environment is required in which entrepreneur can learn and deliver his assigned responsibility in an efficient manner and change his attitude. Entrepreneurial development seeks to provide fruitful direction for those who choose a career path different from traditional roles.

Entrepreneurial development is an act of inspiring people for entrepreneurial career and making them skillful of exploiting business opportunities. It is not simply a training task rather an act of motivating and developing skills of potential entrepreneur and helping them in developing their own ventures. The objective of entrepreneurial development is to inspire a person for entrepreneurial career and to make him proficient of perceiving and exploiting successfully opportunities for enterprises. The trained entrepreneur can monitor others on how to start their own enterprise and approach various institutions for various requirements for new venture. Trained entrepreneurs may become catalysts of developing industry and lead to economic progress.

According to Prof. Pareek and Karenina, “Operationally, entrepreneurship development would mean development of entrepreneurs and promotion of increased flow of individuals to entrepreneurial ranks.

Entrepreneurial Development Programme (EDP) may be defined as “a programme designed to help an individual in strengthening his entrepreneurial motive and in acquiring skill and capabilities necessary for playing his entrepreneurial role effectively.”

Entrepreneurship is crucial for every economy. EDPs are scheduled programmes developed to identify, inculcate, cultivate, develop, and polish the capabilities and skills as the prerequisites of a person to become an entrepreneur. The EDPs emphasise on training, education, reorientation and creation of conducive and healthy environment for the growth of entrepreneurship.

Entrepreneurship development is the method of improving the skills and knowledge of entrepreneurs through various training and classroom programs. Entrepreneurship development is concerned with the study of entrepreneurial behaviour, the dynamics of business set-up, development and expansion of the enterprise. Entrepreneurship development focuses more on growth potential and innovation. Entrepreneurship Development has gaining significance in developing an economy. It is an organised and systematic development. It is a tool of industrialization and a key to unemployment problem for any country.

5.2 RELEVANCE OF EDP

“No EDP, no economic development.” Entrepreneurial development plan cannot be framed and executed without its relevance to the political, economic, social and legal environment. EDPs are very much relevant for the development and growth of any economy. Following are the important points showing the relevance of entrepreneurial development programme:

1. They should adhere to the main object of development such as generating employment, set up ancillary, small and medium sized industry, and introduction of new entrepreneur and maintain stability etc.
2. There should be suitable arrangement of training and education such as setting of technical and electrical institute, handicraft making institute.
3. There should be efforts to boost the promotion of entrepreneurial skill such as technical and managerial skill. The main aim is to impart management and technical know-how required by the participants to operate their business entrepreneur.

4. It cultivates the spirit of social responsibility by spreading social consciousness and awareness about new venture, new technology, and managerial skill, uninterrupted supply of goods or services in society.
5. There should be enhancement in mobility of entrepreneurs by providing training to new entrepreneurs and after that acquired employment inside or outside the area.
6. There should be support in preparation of new projects about product /services, financial services, market of respective products.
7. Entrepreneurial Development Programme started several types of self-employment programme for eliminating unemployment by Integrated Rural Development Programme (IRDP), etc.
8. There should be poised regional development and setting up of more units which lead to the development of backward areas through EDP.
9. Effective EDP should provide help in establishment and development of ancillary, tiny, small and medium industry and business.
10. EDP should be framed with a purpose of elimination of poverty and unemployment.
11. EDP should be centred to search potential entrepreneur.

5.2.1 Rationale of EDP

- (i) EDP is intended for developing those first generation entrepreneurs who on their own cannot dream of becoming successful owners of enterprises.
- (ii) The effective entrepreneurial class is essential to speed up the process of activating the factors of production to guarantee higher rate of economic growth.
- (iii) EDP warrants potential entrepreneurs of backward and tribal areas to set up their enterprises with the support of government and institutional support system.
- (iv) EDP helps in spreading of economic activities in different regions by providing training and other support to the local people.
- (v) EDP develops the persons who are fascinated to work as job providers by establishing enterprises not to those who are job seekers. Thus, it supports the creation of employment opportunities.
- (vi) EDP enhances the standard of living of the weaker sections of society and involvement of all sections in the process of economic growth.
- (vii) EDP develops motivation and competence necessary for successful launching, management and growth of the enterprise.

Thus, EDP is necessary to motivate the potential entrepreneurs to transform their dreams into action. However, it is not expected to generate any magical result. It is a continuous process of training and motivating them to set up enterprises in a big way.

General belief about the EDP is that individual can be developed and their perception can be changed. They may be motivated to transform their dreams/ideas into action through an effective EDP. However, it is notable that EDP is not just a training programme. It also changes social and organisational framework which enable the potential entrepreneurs to perceive opportunities and learn to respond to them, in this way, EDP is a process of:

- (i) Enhancing the motivation, knowledge and skills of the potential entrepreneurs,
- (ii) Arousing and reforming the entrepreneurial behaviour in their day to day activities,
- (iii) Assisting them in developing their own ventures or enterprise as a sequel to entrepreneurial action.

5.3 ROLE OF GOVERNMENT IN ORGANISING EDPs

After independence of our country the Government of India decided to promote entrepreneurial activity through various incentives in both industrially backward and rural areas. The thrust of these programmes was to provide, technological, financial, market and morale support to the potential entrepreneurs, who can act as a catalytic agents of change and development. There are numerous agencies and institutions engaged in entrepreneurial development activity and these are discussed as under:

5.3.1 Institute Established By Central Government

(1) National Institute For Entrepreneurship and Small Business Development (NIESBD)

The National Institute for Entrepreneurship and Small Business Development (NIESBD) was established by the Government of India in 1983, as an apex body for coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development especially in the area of small scale industry and small business. The NIESBD aims at creating an environment which is conducive for the growth of entrepreneurship and to support potential entrepreneurs. The major actions of the Institute include (i) framing model syllabus for training various target group, (ii) providing effective training strategies, (iii) methodology required, manuals and tools, (iv) giving information about facilitating and supporting activities that Centre/State Governments and other agencies provide in executing programmes of entrepreneurship and small business development, (v) enhance the benefit and accelerating the process of entrepreneurship development, (vi) conducting various programmes for motivators, trainers and entrepreneurs which are generally not undertaken by other agencies and (vii) organizing the activities that help in developing entrepreneurial culture in the society.

(2) Entrepreneurship Development Institute of India

EDII has been established by financial institutions such as IDBI, ICICI, IFCI, and SBI in the year 1983 in Ahmedabad. The EDII has been providing training to people for self-employment for the last twenty four years and has done revolutionary work in this field. The EDP Department conducts regular training courses with the objective of enabling people to become self-employed. The courses are generally of 3-4 months duration and cater mostly to the needs of village youth and school drop-outs. The department imparts not only training but also enables the trainees to become self-employed and make efforts to build their business venture a success. For this purpose, the EDII has engaged in various activities such as establishing contacts with the banks for obtaining firm loan, helping trainees to prepare a project proposal, and monitoring the programmes of trainees.

(3) Small Industries Development Organisation (SIDO)

This organisation was designed to identify persons with entrepreneurial abilities established in 1954 by the Central Government. The training programmes are designed for different groups like educated unemployed, women, weaker sections, technocrats, rural artisans, physically handicapped, entrepreneurs under self-employment scheme, etc. At present SIDO have sixteen specialised institutes

responsible for training, research and development of product design and processes. It has designed programmes for industrial management, specialised courses in production, marketing, finance and export management.

(4) National Entrepreneurship Development Board (NEDB)

NEDB has been established under the Chairmanship of the Union Minister of State which acts as an apex body for entrepreneurship development. It devises and recommends to the Government regarding various schemes for promotion of entrepreneurship for encouraging self-employment in small scale industries and small business. The Board recommends suitable facilities and incentives for entrepreneurship training.

(5) Indian Investment Centre (IIC)

This organisation was set up by the Government of India to promote joint ventures and to conduct EDPs. For this purpose, it has set up an Entrepreneurial Guidance Bureau to guide entrepreneurs in establishment of new ventures. IIC helps the entrepreneurs in developing entrepreneurial skills, increasing their managerial knowledge and helping them to start their own projects.

(6) Technical Consultancy Organisations (TCOs)

TCOs established with a purpose to provide high quality consultancy services which improves the operational efficiency of entrepreneurs. All India financial institutions have set up seventeen technical consultancy organizations to provide industrial consultancy and training to entrepreneurs. TCOs provide a comprehensive package of services to small entrepreneurs. The main functions of TCOs are as follows:

- (i) Identification of industrial potentials;
- (ii) Conducting pre-investment studies and prepare project reports and feasibility studies;
- (iii) Commence techno-economic surveys;
- (iv) Carry out the market research; and
- (v) Identify potential entrepreneurs and provide them with technical and managerial assistance.

(7) Xavier Institute of Social Services, Ranchi

This institute has been established in year 1974 for conducting various entrepreneurship development programmes and skill development programmes of national level. XISS has been supported by funding agencies like, Industrial Development Bank of India and Industrial Finance Corporation. It assists the trainees in drafting project proposals and on obtaining the required finance. It offers a six month programme to tribal for developing the entrepreneurial skills. The programme consists of:

- (i) identification and selection of candidates.
- (ii) motivating and providing managerial training.
- (iii) training of practical skills.
- (iv) helps in market survey and preparation of project report.

(8) National Institute for Small Industry Extension and Training (NISIET)

This institute was established in 1960 as an autonomous body under the direction of SIDO to provide extension and training services to the entrepreneurs. It imparts training to entrepreneurs, managers, different departments of State Governments, financial institutions and other agencies. It organises national and international level programmes every year. It is a nodal agency to work as resource and information centre for small units and also undertakes research and consultancy for small industry development.

(9) Development Commissioner (MSME) under Ministry of Micro, Small & Medium Enterprises

The Ministry of Micro, Small & Medium Enterprises (MSME) has been undertaking various programmes related to entrepreneurship development through Development Commissioner. These programmes include a number of vocational and entrepreneurship development programmes and other related programmes for entrepreneurship and skill development. These are explained as under:

(i) Entrepreneurship Development Programmes (EDPs)

EDPs are being regularly conducted to nurture the talent of aspiring youths by making them mindful on various aspects of industrial activity required for setting up (Micro, Small Enterprises) MSEs. Technical education institutions like, ITIs, Polytechnics and other technical institutions are generally involved in organizing the EDPs. The course contents for EDPs are planned in such a way so as to offer necessary information to the entrepreneurs on product and process design, manufacturing practices involved, testing and quality control, selection and usage of appropriate machinery and equipment required, project profile preparation, product pricing, marketing techniques, service pricing, export opportunities, infrastructure facilities available, financial facilities available.

(ii) Entrepreneurial Skill Development Programme (ESDP)

Entrepreneurial Skill Development Programmes are basically meant to upgrade skills of the potential and existing entrepreneurs and the available workforce. These programmes provide appropriate training to develop skills of new workers and technicians. These programmes dedicated for skill development of socially disadvantaged groups (SC, ST, women, OBC and minorities) are being regularly being organized in various parts of the different states. 20 percent of the total targeted people for these ESDPs should be exclusively from the weaker sections of the society i.e. (SC/ST/women and PH). They are provided a stipend of Rs. 500 per month per candidate under the Promotional Package for MSEs. No fee is charged from the candidates under these programmes.

(iii) Management Development Programmes (MDPs):

Management Development Programmes are being conducted to provide training on management practices. These programmes are aimed to enhance the decision -making and managerial skills of the potential and existing entrepreneurs. These programmes can help the entrepreneurs increase their productivity and improve their profitability. The curriculum for the MDPs is designed based on the needs of the industry and are customized and of short duration. 20 percent of the targeted training programmes are

conducted absolutely for the weaker sections of the Society (SC/ST/Women/Physically Handicapped).

5.3.2 Institutions Established At State Level

Various institutions have also been established at State level to make the entrepreneurial development programmes more successful. Some of the important institutions are as follows:

- (1) Small Industries Service Institute (SISI),
- (2) District Industry Centre (DIC),
- (3) State Finance Corporation,
- (4) State Small Industries Corporation (SSIC),
- (5) State Industries Corporation (SIC),
- (6) Directorate of Industries,
- (7) State Industries Promotion Corporation.

5.4 IMPORTANCE OF EDPs

EDPs have important role in increasing the supply of new entrepreneurs to quicken the process of industrialization. It is widely accepted that persons fascinated to become entrepreneur will be greatly helped if appropriate training and development programmes are made available to them. Importance of EDPs can be judged on the basis of following points.

(1) Eliminating Poverty and Unemployment

Under developed countries are confronted with the chronic problem of unemployment. EDPs can provide relief to these unemployed people in getting self-employment and at the same time generating employment opportunities for others. Various programs initiated by the government like NREP (National Rural Employment Programme), IRDP (Integrated Rural Development Programme) etc. are aimed at eradicating unemployment problem.

(2) Balanced Regional Development

EDPs may help in accelerating the pace of industrialisation resulting in the reduction of concentration of economic power. Small scale units can be set up in remote areas with trivial financial resources and it helps in achieving balanced regional development. EDPs aimed at promoting small scale units are more useful for balanced regional development than medium and large scale units.

(3) Economic Growth

The EDPs can play an important role in the economic development of developing countries like India. Such programmes produce many entrepreneurs who are able to establish small and micro enterprises which need less investment in funds. It increases new investment and bring innovations. All these activities in turn stimulate the economic growth.

(4) Optimum use of Locally Available Resources

The EDPs can be very effective in harnessing locally available resources by training and educating the entrepreneurs. Since ample resources are available locally, proper use of these resources will help in building a healthy base for sound economic growth and rapid industrialisation. EDPB also help in minimising excessive scraps, defective output and wastage in the production process.

(5) Promote Innovations

Successful Entrepreneurial Development Programmes initiate the people for innovations and higher creativity. EDPs have become a vital strategy for harnessing the vast untapped human skills, to channelize them into accelerating industrialisation.

(6) Resolves Social Tension

After completing the education, every youth feels frustrated if he does not get suitable employment. The surplus youth energies can be channelized to self-employment careers to help the country. This may resolve social tension and unrest among youth.

(7) Development of Entrepreneurship Qualities

EDPs are desired to induce achievement motivation and develop entrepreneurial characteristics or competencies among young persons through training with a view to making them successful future entrepreneurs.

(8) Preventing Industrial Slums

More industrial units are located in highly congested areas and it leads to formation of new industrial slums. EDPs may help in removal of these slums as entrepreneurs are provided with various schemes, incentives, subsidies and infrastructural facilities to set up their own enterprises in all the places. It will help in controlling industrial slums and also reduces pollution, traffic congestion and over-crowding in developed areas.

(9) Fulfilment of Dreams

EDP is necessary to motivate the potential entrepreneurs to convert their dreams into reality.

(10) Successful Launching of New Units

EDPs inspire the young entrepreneurs and develop motivation, competence and skills necessary for successful launching, management and growth of the enterprise.

(11) Development of Rural and Backward Areas

If new enterprises are set up in backward and rural areas of a developing country like India, they are sure to alleviate poverty in such areas and also to remove lopsided economic development that is, concentration of business enterprises in urban areas only.

5.5 ACHIEVEMENTS OF EDPs

The major goal of EDPs is to generate entrepreneurs who adopt entrepreneurial career and set up their own new small business ventures. It is a prerequisite for an overall economic development of any country. The following achievements points elaborate the achievement of EDPs as follows:

1. Improvement in per capital income: Entrepreneurs are constantly looking for the opportunities and exploring & exploiting the opportunities. They lead in organizing various factors of production by putting them into productivity through establishing new entrepreneurs. When more & more enterprises will establish, it will result in the increase of employment and generating wealth in the form of goods and services. Therefore, EDP plays a positive role in setting up of more units and helps in generating more employment and income.
2. EDP helps an entrepreneur to set up firms by formulating projects and providing the entrepreneur necessary technical guidance & support.

3. EDP assists an entrepreneur in expansion and establishment of new industrial or venture or business.
4. EDP plays an important role in nurturing the qualities through entrepreneurial training, education, experiments and orientation programmes.
5. EDPs support for attaining the balanced regional development and reduce concentration of economic power in few hands only.
6. It plays an important role in establishing entrepreneurial development institute such as EDII, NIESBOD, NAYE, CED etc.
7. Miscellaneous achievement:
 - i. Increase in production and productivity.
 - ii. Growth of market.
 - iii. Decentralization of economic resources.
 - iv. Encourage the spirit of social responsibility.
 - v. Penetrating new entrepreneurial opportunity.

5.6 PROBLEMS FACED BY EDPs

There are various problems faced at the time of organizing these programmes. These problems are explained as follows:

1. Lack of National Level Policy

There is no appropriate national level policy in India for entrepreneurship development. The Government did not frame and enforce a policy for the promotion of entrepreneurship. The suitable policy for Entrepreneurship development programmes should be framed by the Government to promote balanced regional development of various underdeveloped areas.

2. Difficulty in Pre-Training Phase

It is also identified that there is lack of proper training methodology during that phase, its content, sequence, theme and the focus of the programme is not clear. There are great number of problems in that phase such as identification of business opportunities, finding and locating target group, selection of trainee and trainers etc.

3. Over-Estimation of Trainees

The institutes providing EDPs overestimate the aptitude and capabilities of the educated youth. On the one hand the EDPs do not impart sufficient training and on the other financial institutions are not prepared to finance these risky enterprises set up by the not so competent entrepreneurs. Therefore the training agencies motivate and enable the trainees in the successful setting up of their enterprise.

4. Time Period of EDPs

The time period of most of EDPs varies between 4 to 6 months, which is not sufficient to learn basic managerial skills required for the entrepreneurs. Therefore, the objective to develop and strengthen the entrepreneur skills, qualities and motivation may be defeated.

5. Lack of Infrastructure Facility

These programmes are conducted in the rural and backward areas. In that area there are many problems regarding lack of adequate class rooms, efficient guest speaker, boarding and lodging of trainer and trainees, etc.

6. Improper Methodology

The contents of the EDP course are not standardized and most of the agencies conducted EDPs themselves and they are fully clear about what they are supposed to do for the attainment of goals. There is no uniform method for the selection of trainees or prospective entrepreneurs. Some of institutions are still debating whether to have a proper identification and selection of entrepreneurs for preparing successful entrepreneurs.

7. Absence of Competent Management or Faculty

It is observed in these EDPs that entrepreneurial failures are mostly due to incompetence faculty and management. There is a problem of non-availability of competent teachers and even they are available, they are not prepared to take classes in the rural and backward areas.

8. Non-Availability of Inputs

Non-availability of various inputs i.e., raw materials, power etc., with poor follow up by the primary monetary institutions resulting non-fulfilment of targets for the entrepreneurship development programmes.

9. Lack of Standardization

The course material for training is not standardized. It is also another problem that there are not standard even in terms of a broad module being adopted by interventions. Different institutes adopt their own module to create confusion among budding entrepreneurs.

10. Poor Response of Financial Institutions

New entrepreneurs are not able to offer collateral security for the getting loans. Banks are not ready to play with the public money and hence they impose various conditions for the sanction of loans. Those entrepreneurs who fail to fulfil with the conditions are not able to get loan and hence their dream of setting up their own enterprises is shattered. Helpful attitude of lending institutions will go a long way in stimulating entrepreneurial climate.

5.7 SUGGESTIONS TO MAKE EDPs SUCCESSFUL

Following suggestions may be recommended to make EDPs successful:

1) Adequate Balance between Stimulating, Supporting and Sustaining Activities

There should be adequate balance between the three types of activities to make EDPs successful viz. stimulating, supporting and sustaining. Stimulating activities include entrepreneurial education, publication of entrepreneurial facilities; assist in identifying variable products and forming a common platform for entrepreneurs to share problems, experience and success. Supporting activities are concerned with various forms of support activities to the entrepreneurs in order to set up and run their ventures. They include registration, obtaining a license, mobilisation of funds, getting tax relief and management consultancy services. Finally, sustaining activities relate expansion, diversification, modernisation and quality control.

2) Selection of Trainees

Trainees should be selected after a vigilant and complete screening of their education status, family background, aptitude, attitude, economic status, etc. Educated unemployed young person's having an aptitude for self-employment should be selected for EDPs. The selection of wrong trainees may lead to wastage of money, efforts, time and other resources.

3) Need for Experienced and Competent Trainers

Trainers should be highly competent, qualified, suitable and committed to the job assigned to them, because the success of the EDPs depends ultimately upon the trainers who must be fully familiar with the latest knowledge and information in their respective fields. Experienced and

suitable trainers are generally found to be unwilling to work in rural and backward areas. Local trainers may be employed but they will not be available in sufficient number and they may not be able to influence the potential entrepreneurs as much as outside experts. Therefore, the trainers should also be paid adequately and selected only after assessing the socio-economic needs of the area and the target group involved.

4) Role of Trainers

The role of the trainers is very important and at the same time, multifaceted because they have to deal with people (potential entrepreneurs or trainees) who may be having limited aspirations and who may tend to resort to fate. The trainers are required not only to impart sufficient knowledge and managerial skill but also to bring about attitudinal change in mind-set of society. The trainers have to act as catalysts or change agents. That is why the trainer is called the kingpin of EDP and he must therefore involve himself wholeheartedly. A good trainer must possess the following qualities:

- i) Good aptitude for development work,
- ii) Conviction in people's capacity to change,
- iii) Ability for public relation and field work,
- iv) Curiosity in understanding people and getting along with them.
- v) In depth knowledge of the area and its people,
- vi) Dedication, patience and resourcefulness, and
- vii) Good sense of discrimination and capacity to work under stress.

5) Designing of a Viable Project

A viable project is a project which is achievable in terms of availability of essential inputs and market potential. The organiser of EDPs should formulate such projects by taking into account the availability of local resources, training requirements, finance, and assessing the feasibility of the projects. They should select right people, provide right training, and entrust viable projects to them to make the EDPs successful.

6) Focus on Achievement Motivation

It is quite essential to develop achievement motivation among the potential entrepreneurs through proper training and favourable environment with a view to creating their dream into reality.

7) Organising Part Time Programmes

Part time EDPs may be conducted during the week ends or in the evening to provide opportunities to those persons who are working somewhere and who are not able to join regular EDPs.

5.8 LET US SUM UP

It is the perceived regarding EDP is that individual can be developed and their perception can be changed. They may be motivated to convert their dreams into reality through an effective EDP. It is notable that EDP is not merely a training programme but develops social and organisational framework which enable the potential entrepreneurs to identify opportunities and learn to respond to them. It is imperative to review every aspect of EDP from pre-training to post- training phase. This will help in charting lessons learnt and in guiding the organizers to plan better and eliminate loopholes in the next program. EDP evaluation should be planned alongside each phase of the program to identify and correct deviations, if any.

5.9 TO CHECK THE PROGRESS

5.9.1 Long Answer Questions

1. “E-commerce is a win-win situation for both entrepreneur and consumers.” Explain.
2. What do you understand by concept of entrepreneurship?
3. What is the role of the Entrepreneurship in economic development?
4. What are the objectives of EDPs?
6. Elaborate the problems faced by EDPs. Discuss the steps to remove those problems.
7. Discuss the role of Government in EDP.

5.9.2 Short Answer Questions and Answers

1. EDP (Entrepreneurship Development Programmes) is required to help:

(a) Existing entrepreneurs (b) First generation entrepreneurs
(c) Future generations entrepreneurs (d) None of the above

Answer: (B)

2. A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as?

(a) Ecopreneur (b) Technopreneur (c) Intrapreneur (d) Social Entrepreneur

Answer: (C)

3. Family business always interested to handover the change of his business to:

(a) Indian Administration Officers (b) Professional Managers
(c) Next generation (d) None of the above

Answer: (C)

4. An individual who initiates, creates and manages a new business can be called

(a) Leader (b) manager (c) Professional (d) An entrepreneur

Answer: (D)

5. Which could provide an individual with the motivation to start a new business venture?

(a) The financial rewards. (b) A desire to be independent. (c) Risk taking (d) All the above

Answer: (D)

6. Write short notes on

(a) NIESBD (b) SIDO

7. Define EDP

8. Role of EDPs in Indian economy.

BACHELOR OF ARTS
SEMESTER-III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT 6: WOMEN ENTREPRENEURSHIP

STRUCTURE

6.0 OBJECTIVES

6.1 INTRODUCTION

6.1.1 SUCCESSFUL WOMEN ENTREPRENEURS

6.2 CONCEPT OF WOMEN ENTREPRENEUR

6.2.1 DEFINITIONS OF WOMEN ENTREPRENEURS

6.2.2 CHARACTERISTICS OF WOMEN ENTREPRENEURS

6.2.3 FUNCTIONS OF WOMEN ENTREPRENEUR

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6.3 PROBLEMS FACED BY WOMEN ENTREPRENEURS

6.4 REMEDIAL STEPS TO SUPPORT WOMEN ENTREPRENEURS

6.5 SELECTION OF INDUSTRY BY WOMEN ENTREPRENEUR

6.6 SCHEMES OF GOVERNMENT FOR WOMEN ENTREPRENEURS

6.6.1 OTHER GOVERNMENT INITIATIVES

6.7 LET US SUM UP

6.8 TO CHECK THE PROGRESS

6.8.1 LONG ANSWER QUESTIONS

6.8.2 SHORT ANSWER QUESTIONS AND ANSWERS

6.0 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.

6.1 INTRODUCTION

Woman is a person who accepts challenging role to meet her personal needs and become economically independent. Women have played a small role in the field of business. In a patriarchy society, women face number of problems in businesses. She considered as weak and dependent on their father, husband and son. traditionally, outside the domain of economic activities. Women must be part of economic growth, because it will ensure the social development and economic growth of women along with providing more human resources to strengthen the economy of the country. In traditional Indian society, parents prefer male child to female. After pregnancy tests reveals that a female child, then parents destroyed female child. They have many excuses regarding that why they don't want female child. In several developed countries like India, parents assumed that only marriage is the career for most of women. They don't want our female child do anything as an entrepreneur. They have number of logics regarding, not to do any business. Parents already decided about to choose profession teaching, medicine and office work etc. for a woman.

Feminism isn't about making women stronger. Women are already stronger; it's about changing way the world perceives that strength.

Women empowerment is empowering the women to take their own decisions for their personal development as well as social development. When a woman stands for herself than she also stands for the society to adapt the changes being by the women. The best way to empowering women is to develop women entrepreneurship. The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non- government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities.

6.1.1 Successful Women Entrepreneurs

The increasing presence of women as entrepreneurs has led to the change in the developing phase of business and economic growth of country. Women owners are playing a prominent role in society inspiring others and generating more employment opportunities in the country. With the increasing number of competitors, women faced list of problems while during their business. There are lots of women entrepreneurs who overcome this difficulty and also encourage others to do the same. Some of the successful women entrepreneurs are as follows:

- 1) **Kalpana Siraj**: She is known as the first women entrepreneur of India. She was born in Maharashtra village and belongs to Dalit family. At that time, it was very difficult to enjoy freedom and child marriage was very common. That time girls are considered as burden and this was reason they were married off at early age. She got married at the age of 12 but her in laws treated as slave and due to this reason, her took her back. Due to the society pressure she tried to end her life but her family saved her. She then decides to do some big things in life. She heard about government provide loan to Dalit on radio which help to use that money to become a women entrepreneur.

2) **Kripa Dharmaraj:** From being an IT professional to homemaker to CEO, Kripa Dharmaraj has made many hats. For seven years, Kripa had served more than 1000 million lunchboxes everyday as a part of her business -MCs lunchbox. Kripa and her husband brought together the team of 50 plus members to start up this business. Over the years, she explained her business and setup “green canteen” for several schools in Chennai to served balanced diets meals to kids.

3) **Falguni Nayer:** She is the founder and CEO in Nykaa. She built a beauty and style retail empire with a portfolio of 1500 plus brands, including its own private label, available online and across 68 stores in India.

There are women who choose their career as women entrepreneur and become successful but all of them face many problems in life.

6.2 CONCEPT OF WOMEN ENTREPRENEUR

A woman entrepreneur means who adopts, taking initiatives, discover new concepts and ideas in business is called woman entrepreneur. A woman entrepreneur is who has performed all the activities in establishing an enterprise. The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non-government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities.

6.2.1 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.

6.2.2 Characteristics of women entrepreneurs

On the basis of definitions given by different scholars, the following characteristics have been identified:

- 1) A woman who controls and manages the whole business of enterprise under her own supervision and guidance is the main feature of woman entrepreneur.
- 2) A woman entrepreneur must have good leadership quality.

- 3) A woman entrepreneur faces any problem and uncertainty with confidently.
- 4) A woman entrepreneur is considered as good organizer, coordinator, and manager in all factors as land, labor and capital. She can manage all factors of production from the society and distributes a product with finishing product.
- 5) A woman entrepreneur has self-confidence. She should have a trust in herself and her abilities too. She has a confidence to implement to change and how to overcome any resistance to change.
- 6) A woman is a good decision maker. So, as an entrepreneur, it assumed that she takes good decision for her business. She must be clear with her decision-making process.
- 7) A woman entrepreneur is one who can invent new ideas and she can start her business with these new ideas and can provide new added value to the society through her enterprise.
- 8) A woman entrepreneur is willingness to do hard work. She believes on the principle, "hard work is the key to success".
- 9) A woman entrepreneur has an achievement orientation derive. She can face challenges and can get success.
- 10) A woman entrepreneur must be optimistic. Her positive or optimistic attitude can give a positive environment to her business.
- 11) A woman entrepreneur must have the technical know-how.
- 12) A woman entrepreneur has trust on herself so that she can get success with boldly and bravely facing problems.
- 13) A woman entrepreneur must have sound mind person. She has to clear her mission and vision.

6.2.3 Functions of women entrepreneur

Like a male entrepreneur, a woman entrepreneur has to perform the following function:

(A) Entrepreneurial functions

- 1) **Innovation:** The main function of woman entrepreneurship is innovation. She has to generate new ideas, creation of new markets and productions, discover new ideas and better sources of finance and make better form of industrial organization.
- 2) **Risk taking:** A woman entrepreneur should be risk taker. This is another function of entrepreneurial function of innovation. Whenever an innovation is done then there is some risk associated. So, a woman entrepreneur should be visualized opportunities for introducing new ideas and handle uncertainty.
- 3) **Organization building:** A woman entrepreneur alone decides the line of business to growth and expansion and how to utilize capital and build healthy organization.

(B) Promotional functions

- 1) **Discover new idea:** A woman entrepreneur visualizes new idea for her business so that she can raise new funds and ventures in new business.
- 2) **Detailed investigation:** After getting detailed investigation from all areas that she will think of arranging of finances for the new enterprises.
- 3) **Assembling the requirements:** A woman entrepreneur canvass to select new location for factory, decides the plant and machinery and contact with suppliers of raw materials.

4) Financing the proposition: The woman entrepreneur will estimate requirements of finances for her enterprise. The financial requirements for short term and long term are estimated.

(c) Managerial Functions

1) Planning: Planning means thinking before doing or thinking in advance. It is a decision in advance, what to do, when to do, how to do and who will do a particular task. Planning is process which involves thinking or mental state of woman entrepreneur. She will think before undertaking a work.

2) Organizing: A woman entrepreneur has another function of organizing is to arrange, guide, coordinate, direct and control the activities of other factors of production that is men, material, money and machines so accomplish the goals of the enterprise.

3) Staffing: a woman entrepreneur has to perform the function of staffing which includes manpower planning, recruitment, selection, and training, placement of manpower, development, promotion, transfer and determination of employee remuneration.

4) Directing: directing is concerned with managerial functions. Group activities should be accomplished by employees under the direction of planned actions.

5) Leadership: A woman entrepreneur should have the quality of leadership. A woman should lead by example, so that every employee working in her firm should have faith in women owner to achieve organization goals. To be successful leader, she must possess the qualities to create motivation.

6) Motivation: A women entrepreneurs motivate their employees by providing incentives and canvass their employees for achievement of objectives of their enterprise.

7) Supervision: Women entrepreneur should have aim of supervision. Supervision means to oversee their employees and give direction to employee how to achieve their goals. If any employee does work then the women entrepreneur should correct them.

8) Controlling: Controlling is another function of managerial. With control process a woman entrepreneur to implement her rules and regulations and can take corrective actions if performance is not up to mark.

9) Coordination: Coordination is also very much important function of managerial. Coordination creates spirit to work and helps in achieving goals through collective efforts.

(D) Commercial Functions

- 1) **Production:** A woman entrepreneur has a key function is production function. This function contains manufacturing and advisory activities.
- 2) **Personnel:** With the help of people and workers a woman entrepreneur can achieve their goals. Workers can develop their organization with coordination.
- 3) **Finance:** With the help of finance functions of woman entrepreneur can achieve goals. The need of money is continuous. It deals with estimating financial requirements, deciding capital structure, selecting a source of finance, proper cash management etc.

6.2.4 Others functions of women entrepreneur

There are some other functions as following.

- 1) Exploration of the prospects of starting a new business
- 2) Handling of economic uncertainties involved in business.
- 3) Introduction of innovations in business.

- 4) Disciplinarian as business woman
- 5) Manage risk and taking good decision to expand her business.
- 6) Develop confidence amongst in workers
- 7) Awareness regarding new technology
- 8) Conducting proper and routine supervision
- 9) Arranging proper source of finance.
- 10) Managing good factors of production in timely.

6.3 PROBLEMS FACED BY WOMEN ENTREPRENEURS

Women entrepreneurs face many problems in their efforts to develop their enterprises. The main problems faced by the women entrepreneurs are discussed as follows:

- 1) **Family restrictions:** This is the most common problem faced by women. They are expected to spend more time with their family, friends. They do not encourage women to travel around the world to group the opportunity for developments.
- 2) **Lack of education:** Women are generally denied of higher education, especially in rural areas and undeveloped countries. Women are not allowed to enrich their knowledge in technical and research areas to introduce new products.
- 3) **Role conflict:** Marriage and family are given more importance than career in Indian society. It is expected from women to be a good house wife and take care of family rather than go outside for work.
- 4) **Lack of finance:** Family members do not encourage women entrepreneurs. They hesitate to invest money in the business initiated by women. Banks and financials institutes also hesitated to prove financial support to women.
- 5) **Lack of information:** Women entrepreneur are not generally aware of the subsidies and incentives available for them. Lack of knowledge may prevent them from availing the special schemes.
- 6) **Stiff competition:** Women face of competition with men due to limited mobility they find it difficult to compete with men.
- 7) **Lack of raw material:** The lack of material required is one the big problem which is faced by a woman entrepreneur. Women entrepreneurs face number of problems to procure the required raw materials for production in sufficient quantity and quality.
- 8) **Limited managerial ability:** As a woman, she may not be expert in all managerial activities. She could not be able to give her time in various types of activities.
- 9) **Lack of risk taking ability:** As a woman, she has not much ability to face uncertainties and not ever bear a uncertain risks. This problem is due to lack of infrastructure and hesitation in quick decisions.
- 10) **High cost of production:** Another problem faced by women entrepreneurs is high cost of production. To reduce high cost of production, have to increase efficiency. So, it creates high cost of production.

6.4 REMEDIAL STEPS TO SUPPORT WOMEN ENTREPRENEURS

The following measures may be adopted to solve the problems faced by women entrepreneurs in India:

1. **Promotional help:** Government and NGO'S must provide assistance to entrepreneur, both in financial and non-financial areas so that it can help them to improve more in this field.
2. **Training:** They must be given training to operate and run a business successfully. Training has to be given women who are still reluctant to take up the entrepreneurial task.
3. **Finance:** Finance is one of the major problems faced by women entrepreneur. Both family and government organizations should be liberal in providing financial assistance to them.
4. **Family support:** Family should support women entrepreneurs and encourage them to establish and run business successfully. Family support helps the women to encourage more and take the risk to compete in the men-dominated business world.
5. **Concessional rates of interest:** Finance should be provided at concessional rates to women entrepreneur.
6. **Proper supply of raw materials:** To make products cost competitive and at reasonable price to women entrepreneur at right time.
7. **Changing the social attitudes:** A society should have to change their attitudes regarding women entrepreneurs. Parents should have to support female child so that they could become a good entrepreneur.
8. **Setting up marketing cooperatives:** To set up and manage business enterprises of their own successful business, women should have potential. So that they could achieve their goals. If women will join that stream, it will enhance the national economy and may generate employment too.

6.5 SELECTION OF INDUSTRY BY WOMEN ENTREPRENEUR

The type of industry a woman entrepreneur can establish depends on her family background, education, interest, attitude, training, and local market conditions. Other factors to be considered are availability of funds, raw materials, labour, local people demand, power etc. Small industry service institute SISI has recommended the number of industries for women entrepreneurs: -

- 1) Production and manufacturing of pickle, papad, handcrafts, packaging, stationery, bedsheets, boutique etc.
- 2) Operating Centre's for repairs of television, electric repairs, radio and watches repair, office maintenance on contract basis, catering, batik painting, embroidery, tutorial classes, stenography etc.
- 3) Retail shops for readymade garments, grocery shops, drug stores, snack bars, soft drinks, florist shops etc.
- 4) Operating of crèches, photographic studios, dry cleaning, travel agencies, working women hostels etc.

For running small industries, government providing various types of assistance to women entrepreneurs, such as,

- 1) Providing financial assistance to women entrepreneur as credit for fixed and working capital.

- 2) Providing training in which they want to establish their small industries.
- 3) Providing help in promotional activities as in preparation of project report, registration, and licensing etc.
- 4) Providing proper training, so that women entrepreneurs can achieve their goals.
- 5) Providing marketing assistance.

6.6 SCHEMES OF GOVERNMENT FOR WOMEN ENTREPRENEURS

The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non- government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities. There are number of schemes have been launched by government for women entrepreneurs as follows:

1) Mudra yojna scheme

Government has launched Mudra yojna scheme for women who want to commence new business or want to grow their business. This scheme can be helpful for new business entrepreneurs. Under this scheme government provide loans to Rs. 50k to Rs. 100k. This scheme is perfect for small businesses like salons, or home-based businesses. This scheme is divided into three categories:

- A) Kishore Loans up to 50k/-
- B) Shishu Loans above 50k/- and up to 500k/-
- C) Tarun Loans above 500k/- and up to 10 lacs.

One of important point here is that there is no need of any collateral security or any guarantor for this loan.

2) Dena Shakti Scheme

Under this scheme government provide loans for women entrepreneurs in certain sectors are as:

- . Agricultural businesses
- . education
- . retail stores
- . housing
- . micro organisations

If any women are planning to commence any of above business then under this scheme maximum loan limit is Rs. 20 lacs and rate of interest is 0.25% below that of base rate. For applying this loan, entrepreneur has to fill application form and submit required documents to avail of the loan. It is very easy to get loan under this scheme.

3) Udyogini scheme

A woman can commence a business under this scheme, which comes from small income family. Under this scheme, there are no restrictions to get loan. Amount of

loan, a woman can avail is Rs. 3 lacs at low rate of interest. This scheme can help a woman to start business or enterprise or to make self-reliant. This scheme was started firstly by the Karnataka state women development. Many financial institutions have adopted this scheme with number of variations. Through online mode anybody can apply for this scheme and get easy loans.

4) Cent Kalyani scheme

This scheme is for who want to commence small scale business. This scheme is launched by Central Bank of India for women entrepreneurs. Under this scheme any women can avail loan up to Rs. 100 lacs. In this scheme, there is no collateral or processing fees.

5) Mahila Udyam Nidhi Scheme

This scheme is launched by Punjab National Bank and to assist small scale industries. The main objective of this scheme is to promote small scale business by providing modern technologies and advancement. These loans are hassle free loans.

6) Women entrepreneurship platform

NITI Aayog has started an initiative called Women entrepreneurship platform that support women to commence business. This scheme is for budding women entrepreneur. Under this scheme, to train the women who want to start business according to their choicest business, give them knowledge about laws, how to get financial assistance and raising of funds, and providing community and network of same consensus women etc.

7) Stree Shakti Package

This scheme is offered by the state bank of India branches in India and main aim to provide loan to women business. The biggest benefits to women are that there is no security for loans up to Rs. 5 lacs. Bank is providing various concessions to women, and loan amount could exceed up to Rs. 2 lacs or more.

8) Annapurna scheme

Under this scheme Government provides loans to women entrepreneur up to Rs. 50k. This scheme is for women who want to commence agricultural business. This scheme is firstly launched by the state bank of Mysore and Bhartiya mahaila bank. Loan amount has repaid through EMI's for 36 months with the interest rate prevailing in the market. Here, women entrepreneur needs a guarantor along with assets of the business being pledged as collateral security.

9) Orient Mahila Vikas Yojna Scheme

This scheme is launched by oriental bank of commerce for women entrepreneurs who hold 51% share capital individually or jointly in a business. This scheme provides loan amount up to Rs. 10 lacs to Rs. 25 lacs for women entrepreneurs in the small-scale enterprises. There is no need of collateral security. The repayment of loan is of 7 years and interest rate is 2% only.

10) Pradhan Mantri Mudra Yojna

This scheme is launched in 2015 by the government of India for women entrepreneurs. This scheme provides financial support to women entrepreneurs for starting their own business. It helps to promote women in the country. Various financial institutions have extended Mudra loans under this scheme.

6.6.1 Other Government Initiatives for growth of women entrepreneurship

There are number of programmes followed by government for promotion of women entrepreneurs such as:

1) Steps taken in seventh five year plan:

A special chapter on the integration of women in development was introduced by the government of India with following number of suggestions:

- a) Efforts should be made to increase their efficiency and productivity through appropriate technologies, equipment's and practices.
- b) In this plan, it was suggested to provide required assistance for marketing the products produced by women entrepreneurs.
- c) It was suggested that to arrange new vocational training facilities for women to suit their changing needs and skills.
- d) It was suggested that to treat a women as specific target groups in all major development programmes of the country.
- e) It was suggested that to involve the women in decision making process.

2) Steps taken by government during eighth five year plan:

The government of India revised special programmes to increase employment and income generated activities for women in rural areas. The various plans were launched during eighth five-year plan like:

- a) Prime Minister Rojgar Yojna and EDP's were introduced to develop entrepreneurial qualities among rural women.
- b) To generate employment opportunities for women KVIC took special measures in remote areas.
- c) Women cooperatives schemes were formed to help women in agro- based industries like dairy farming, poultry, animal husbandry, horticulture, etc.
- d) Training of rural youth for self-employment and several others schemes were started by the government to eliminate poverty and provided reservation to women under these schemes.

3) Steps taken by the government during ninth five year plan:

- a) Swarn Jayanti Gram Swarozgar Yojna and Swaran Jayanti Sehkari Rozgar Yojna were introduced by government to encourage women entrepreneurs.
- b) State industrial and development bank of India has been introduced to assist the women entrepreneurs.
- c) Trade related entrepreneurship assistance and development scheme was launched by Ministry of small industries to develop women entrepreneurs in rural, semi-urban and urban areas by developing entrepreneurial qualities.
- d) Government has provided special strategy to assist women entrepreneurs.
- e) Government introduced new scheme named women development corporations who will help in arranging credit facilities.

Chamber of women entrepreneurs of India provides various platforms to help women entrepreneurs to develop new and innovative techniques of production, finance and marketing. There are number of bodies or boards or organisations that help rural and urban areas women entrepreneurs.

- 4) Training programmes or schemes were arranged for women entrepreneurs to generate self-employment.
- 5) Rashtriya Mahila Kosh was set up in 1963 to provide grant to women entrepreneurs at lowest rate of interest under less cost and with simple procedure.
- 6) SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas. Under Mahila Vikas Nidhi grants loan to women are given to start their venture in the fields like spinning, weaving, knitting, embroidery products, block printing, handlooms, handicrafts, bamboo products etc.

6.7 LET US SUM UP

Women entrepreneurship played an important role in economic growth and stability for any country. Women entrepreneurs inspire other women to start businesses. This will lead to further job creation for women which ultimately helps in reducing the gender gap available in workforce of any country. A successful woman is confidently feminine and eager to learn and grow. She has maintained balance in all aspects of her life.

6.8 TO CHECK THE PROGRESS

6.8.1 Long Answer Questions

1. Define a woman entrepreneur. What are the functions of a woman entrepreneur?
2. Explain women entrepreneurs. Discuss the important characteristics of woman entrepreneur.
3. Discuss the problems faced by women entrepreneurs. What are the steps taken by government to solve these problems?

6.8.2 Short Answer Questions and Answers

1. Define entrepreneur.
2. What are the main features of woman entrepreneur?
3. Explain promotional functions.
4. Explain managerial functions?
5. Explain entrepreneurial functions?
6. Discuss problems faced by women entrepreneurs.
7. Motivational factors behind women entrepreneurs.
8. What are the various steps taken by government of India to promote women entrepreneurs?
9. Highlight the examples of some successful women entrepreneurs.
10. Which of the following areas are preferred by women entrepreneurs?
 - A. Administration
 - B. Organization
 - C. Utilities
 - D. Manufacturing

Answer (A)

11. 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)

12. 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)

13.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)

BACHELOR OF ARTS SEMESTER-III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT 7: MSMEs

STRUCTURE

7.0 OBJECTIVES

7.1 INTRODUCTION

7.1.1 MSMEs NEW DEFINITION

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7.5 STARTUPS: DEFINITION, CHARACTERISTICS AND THEIR TYPES

7.5.1 DEFINITION OF STARTUP (ONLY FOR THE PURPOSE OF GOVERNMENT SCHEMES)

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7.5.3 TYPES OF STARTUPS

7.5.4 STEPS FOR STARTING A STARTUP

7.6 ROLE OF MSMEs IN INDIAN ECONOMY/ IMPORTANCE OF MSMEs

7.7 LET US SUM UP

7.8 TO CHECK THE PROGRESS

7.8.1 LONG ANSWER QUESTIONS

7.8.2 SHORT ANSWER QUESTIONS AND ANSWERS

7.0 OBJECTIVES

After studying the Unit, you would be able to:

- Understand the detailed concept of MSMEs.

- Define the process of registration and benefits associated with it.
- Describe the seed bed of entrepreneurship.
- Identify the concept of startups
- Elaborate the role of MSMEs in National Economy.

7.1 INTRODUCTION

The Micro, Small and Medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development in all over the world. This sector has shown tremendous positive results in the growth of Industrial Output, Exports, and most notable in Employment Generation at low capital cost. In India, the MSMEs contribution is highly remarkable in the overall industrial economy of the country. This sector is admirable in true sense as with its agility and dynamism, the sector has been working with great innovativeness and adaptability despite of recent economic global and national downturn and recession. In Indian market, MSMEs rapid growth could be seen as Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Pharmaceutical, Textile & Garments, Precision Engineering Design, Food Processing, Retail, IT and ITES, Agro and Service sector. The sector is helping to reduce the regional imbalances of urban and rural industrial growth, thus, assuring more equitable distribution of national income and wealth.

For boosting the business cult, the Government of India has introduced the Micro, Small and Medium Enterprises Development (MSMED) Act in 2006. Since then, MSME sector has set a legacy of economic growth model. This sector is considered as the job creator and plays a crucial role in providing large-scale employment and industrialization of rural and backward areas. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India which provide the employment opportunity to almost 120 million workers. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly to the socio-economic development of the country. Initially, the Micro, Small & Medium Enterprises Development (MSMED) Act 2006 (Section 7) classified the Micro, Small and Medium Enterprises (MSMEs) on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises. In February 2018, the Union Cabinet had approved changes the basis of classifying Micro, Small and Medium enterprises from ‘investment in plant & machinery/equipment’ to ‘annual turnover’. The objective of the change is to encourage ease of doing business and more expansion opportunities.

7.1.1 MSMEs New Definition

There had been a fear among the MSMEs that if they outgrow the threshold limits, they will lose the benefits of MSMEs, they have been enjoying. The fear was killing their motivation to grow in terms of size and turnover. Taking this point into consideration, the finance minister of India changed the definition of MSME in their favour. The MSMEs have been redefined on the basis of investment limit and turnover size. The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, was introduced to classify them as manufacturing or service-providing enterprises, based on their annual turnover. In order to redefine the MSME, government increased investment limit, introduced additional criteria of turnover and eliminated difference between Manufacturing & Service sector. Let us have a glance over new criteria of MSMEs:

Revised Classification applicable w.e.f 1st July 2020			
Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover; not more than Rs. 250 crore

7.1.2 Benefits of the above-proposed reclassification

According to the proposed reclassification or the new classification, there would be no need for frequent inspections to check the investment criteria in plant and machinery. Also, it was ensured by Govt. that the operations of MSMEs would be transparent, non-discriminatory, and objective in nature. ‘Atma Nirbhar Bharat Abhiyan’, 2020 on the basis of MSMED Bill 2018 provides a few benefits to the sector:

1. A provision of collateral free loans to MSMEs
2. An arrangement of loans to MSMEs worth of Rs. 3 lac crores
3. An offer for MSMEs to get a Moratorium period of 12 months
4. Consideration of Manufacturing and Service MSMEs as the same entities
5. MSM is a granted a repayment Tenure of 48 months
6. MSMEs are assured a 100% Credit Guarantee
7. Reclassification of MSMEs will benefit approximately 45 Lac units.

7.1.3 The essential elements of MSMEs

There are some basic and crucial features of MSMEs in India which can be discussed as following:

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.

6. They also offer modern testing facilities and quality certification services.
7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

7.2 MSMEs REGISTRATION

(Online Process, Fee, Eligibility, Benefits & Documents Required)

The first and foremost question is which entity can apply for MSME Registration Process. So, the MSMEs Act has allowed following entities to apply for the MSME registration process:

1. Sole Proprietor: Any business which has an individual carrying out and managing the affairs can apply for the MSME registration.
2. Partnership: A partnership is a formed of business entity where two or more individuals have an agreement to share the profits of the business. The business of a partnership can apply for the MSME registration process.
3. Limited Liability Partnership: A limited liability partnership is governed by the provisions of the limited liability partnership act, 2008 (LLP Act 2008). The statuses of the partners are limited to the amount of contribution made by the partnership. LLPs can apply for MSME registration process.
4. Producer Company: Any company which is engaged in activities related to producing agriculture produce is known as a producer company. Such companies are present under section 465(1) of the provisions of the Companies Act, 2013. As agricultural activities are one of the main activities of MSMEs, hence this form can go for the above registration.
5. Private Limited Company: Any company which is registered under the Companies Act, 2013 or previous company law 1956 can engage in activities of an MSME.
6. Hindu Undivided Family: An HUF would have a Karta as the manager of the HUF. Apart from the Karta, there are other members of the HUF. A HUF can do MSME registration.
7. One Person Company: An entity which is registered as a one person company can go for the process of MSME registration.
8. Co-operative Society: Any entity which is registered under the Co-operative societies act can go for MSME registration.

7.2.1 Eligibility Criteria for MSME Registration Online

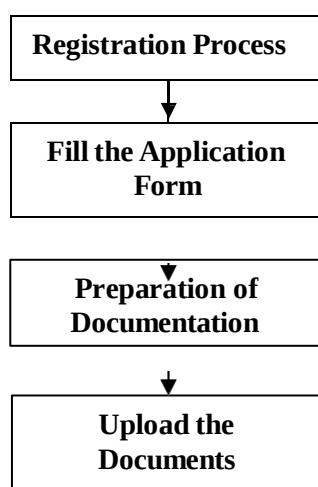
There are two criterions for an entity to get registrations as MSMEs:

1. Turnover Criteria: The entity seeking to register as an MSME must meet the turnover criteria as specified above.
2. Compliance under MSMED Act: Apart from the above, the investor or the owner is required to invest more than Rs. 20 Crore in Plant and Machinery or Equipments either for the manufacturing sector or the service sector and the turnover must be lesser than 100 Crore. This requirement of turnover lesser than 100 Crore is as per the amendment in May 2020.

7.2.2 Process for MSME Registration/ Udyam Registration

The business owners must fill the MSME form online while registering for the same. An individual can file registration for more than one industry for MSME. The business owners are required to fill the personal details like name, Aadhaar, the name of the industry, PAN, mobile number, bank account details accurately during MSME registration. It is notable that business owners can provide self-attested certificates which are required in the process. After providing all the required details, documents are uploaded properly by the MSME applicants. The authority will generate the registration number for their businesses. An eligible entity needs to get the MSME registration done online using the portal udyamregistration.gov.in. Their registration is done under two broad categories, which are:

- A. MSME registration for entrepreneurs who are not yet registered
 - B. Registration for those who have already done MSME registration as EM-II or UAM (Udyog Aadhar Memorandum)
- A. Steps for a New MSMEs registration: The process of MSME registration in category A is given below:



- The applicant would have to fill in the application form with all details. After filing the application form the requisite documentation have to be prepared. For online process applicant should visit the official website (<https://udyamregistration.gov.in>) and fill in all required details on the portal. The process can be initiated by providing an Aadhaar card number and with or without a PAN card after clicking on the “For New Entrepreneurs who are not Registered yet as MSME” button given on the portal. On the next step an OTP is generated automatically which must be validated by the applicant. If applicant already has a PAN card, the portal fetches the details from the government database, while applicant needs to fill in ITR details in full. Applicant has to provide all the details of plant after validation of PAN applicant gets a final OTP. For MSME Registration without a PAN card,

most of the steps are same as above, except that you need to select 'No' as the option for the question PAN availability. However PAN application with PAN reduces the chances of registration suspension.

- **Prepare Documentation:** In the next step, the applicant is required to submit all the requisite documentation for the MSME application. All information asked for should be submitted as per the requirements for MSME registration, for example, Plant and Machinery must be according to the Written down Value. The following Documents are required for MSME Registration Online:

- i. Duly filled application form with passport sized photographs
- ii. KYC documents of applicant: passport, voter ID card Aadhaar Card, driving license, utility bills (water & electricity bills)
- iii. Business PAN card
- iv. Business Establishment Certificate
- v. Income Proof
- vi. Bank Details
- vii. Last 6 months' Bank Statement
- viii. Rent or Lease Agreement
- ix. NOC from the Landlord
- x. Any other document required by the bank

2. **Submit/Upload the Documents:** After providing the documents; the applicant is required to upload the same. It takes about three working days for the documentation to be processed. When the documents are submitted, the authority will verify the same along with the application.
3. **Generation of Registration Number:** After submitting application form along with documents, applicant shall receive a registration number. As per the information available on the Ministry of MSMEs portal registration process is free of cost means no fee is charged by the Govt. So, applicant should be cautious that if any portal is demanding money for the same than that is not a Govt. portal. After the successful documentation verification a registration number is generated.
4. **Issuance of Certificate:** In the final step, the authority will verify all the information provided by the applicant in the documentation process. If all the information meets the requirement of verification, the same will be accepted. The certificate of registration will be issued to the applicant on the registered email address. The registration certificate will have a dynamic QR code from which the details about the enterprise can be accessed easily. So, the process for MSME registration is a quick and hassle-free for businesses to get registered as MSMEs under Ministry of MSME.

B. MSME registration for those who already have EM-II or UAM

If you are already registered as EM-II or UAM, visit <https://udyamregistration.gov.in/> to click the 'For those having registration as EM-II or UAM' button. Then, enter your Udyog Aadhaar number in the next step and generate/verify OTP. This will complete the MSME registration process.

7.2.3 Important notable things while an entity goes for MSMEs registration

Rejection Ground: There are several reasons of rejection of MSME application like low credit score, unpaid debts, loan defaults, low cash flow, lack of business plan, incomplete documentation, false information, etc.

Importance of CIBIL Score: MSMEs can get collateral free loan if they opt for unsecured business loans and if they maintain good CIBIL score with decent financial and loan repayment history. Rest it depends on the eligibility criteria to be cleared by applicant defined by the respective bank.

UIN: MSMEs are issued an Udyog Aadhaar which is a 12-digit Unique Identification Number (UIN) provided by the Ministry of MSME. Aadhaar card is mandatory throughout the MSME registration process.

Online Process: MSMEs registration certificate copy is normally delivered in soft form as Government has initiated paperless work, so no physical copy is issued. However, the authority emails the certificate instead. So, applicant should stay away from the fraudsters service providers who claim any offline paperwork.

7.2.4 Benefits of MSMEs Registration

There are numerous benefits of getting registered of MSMEs such as loans at low interest rates, easy licenses, low ISO certificate, more tariff subsidies and tax and capital subsidies, exemption under Direct Tax Laws etc. Let us discuss all possible benefits in detail:

1. **Bank Loans (Collateral Free):** The Government of India has made collateral-free credit available to all small and micro-business sectors. This initiative guarantees funds to micro and small sector enterprises. Under this scheme, both the old as well as the new enterprises can claim the benefits. A trust named The Credit Guarantee Trust Fund Scheme was introduced by the Government Of India, SIDBI(Small Industries Development Bank Of India) and the Ministry of Micro, Small and Medium Enterprise to make sure this scheme is implemented (Credit Guarantee Scheme) for all Micro and Small Enterprises.
2. **Overdraft Interest Rate Rebate:** Enterprises registered as MSMEs can avail a benefit of 1 percent interest rate on the overdraft in this scheme that differs from bank to bank. This helps small businesses secure loans at lower cost and enhance their profitability.
3. **Subsidy on Patent Registration:** Under the current laws, MSMEs registered with the MSME ministry stand to benefit from a 50% subsidy on their patent registration fees. This encourages small businesses to keep innovating and working on new projects and technologies. The subsidy can be availed by submitting an application to the respective ministries.
4. **Protection against Payments (Delayed Payments):** MSMEs constantly face the risk of delayed payments which in turn disturbs their entire business. In order to protect registered companies, the Supreme Court has mandated that any buyer of goods or services from registered MSMEs is required to make the payment on or before the agreed date of payment or within 15 days from the day they had accepted the goods or services. If the buyer delays the payment for more than 45 days after accepting the products or services then the buyer has to pay interest on the amount that was agreed to

be paid. The interest rate is three times the rate that is notified by the Reserve Bank of India.

5. **Fewer Electricity Bills:** All companies that have the MSME Registration Certificate are entitled to concessions on their electric bill. This enables businesses to boost production and take in more orders without worrying about capital expenditure on costs like electricity and maintenance. Micro, small and medium enterprises can avail of the concession by providing an application to the department of electricity along with the certificate of registration.
6. **ISO Certification Charges Reimbursement:** Any registered micro, small and medium enterprise can claim reimbursement of the expenses that were made in order to obtain an ISO certification. This motivates entrepreneurs to get their respective businesses ISO certified, which helps them to do business abroad in terms of high-quality exports.
7. **Public Procurement Policy - SAMBANDH:** The Ministry of MSME came with the Public Procurement Policy for Micro and Small Enterprises (MSE) with an order in 2012, later amended in 2018, which has mandated that every central ministry, department or Public Sector Units (PSU) shall set an annual goal for procurement from the MSME sector of minimum 25 percent of the total annual purchases from the products or services produced or rendered by MSMEs. A sub-target of 4 percent out of 25 percent target of annual procurement earmarked for procurement from MSEs owned by SC/ST entrepreneurs. Out of the 25 percent, 3 percent shall be earmarked for procurement from MSEs owned by women. The implementation of Public Procurement from MSMEs is monitored through the MSME-SAMBATH portal. This policy ensures the sales of production and reduces chances of shut-down the factories set up under MSMEs.
8. **Government e-Marketplace (GeM):** GeM is a one-stop portal to facilitate online procurement of common use goods and services required by various government departments/organisations/PSUs. GeM aims to enhance transparency, efficiency, and speed in public procurement. It provides the tools of e-bidding, reverse e-auction, and demand aggregation to facilitate the government users to achieve the best value for their money. The purchases through GeM by government users have been authorised and made mandatory by the Ministry of Finance.
9. **Receivables e-Discounting System (TReDS):** Trade Receivables Discounting System (TReDS) is an electronic platform for facilitating the financing / discounting of trade receivables of MSMEs through multiple financiers. These receivables can be due from corporate and other buyers, including government departments and PSUs. It is also a cheaper alternative to banks and factoring companies. This process involves three stakeholders; the corporate buyer, the SME supplier, and the investor/financier. The open system ensures transparency to all stakeholders and is entirely automated. It is an RBI regulated trading platform meant to buy and sell receivables on a bidding model under the payments and settlement system.

7.3 RECENT MEASURES ADOPTED BY GOVT. TO BOOST THE SPEED OF MSMEs GROWTH

In order to help MSMEs, the government of India introduced the MSME (Amendment) Bill Of 2018 and re-emphasized on the MSME ACT of 2006. Under these legislations, there would be no need for frequent inspections to check the required investments needed to be made in the plant and machinery needed. In addition, the operations of MSMEs would be allowed to continue in a transparent, non-discriminatory, and objective manner. Some of the other added benefits of getting your MSME registered under the provisions of these laws are discussed in the above section. Narendra Modi, Prime Minister of India, announced that MSMEs can avail loan facility within an hour which is a part of PM Modi's 12-point action plan for the growth of MSMEs. On May 14, 2020, The Indian Finance Minister Nirmala Sitharaman announced six measures for the MSME given below:

1. An emergency credit of ₹3 lakh crore for MSMEs from Banks and NBFCs was declared. 45 lakh units are likely to benefit from this move.
2. ₹20,000 crore subordinate debt for Stressed MSMEs was proposed and MSMEs which are stressed or classified as NPA will be eligible for this.
3. ₹50,000 crore equity infusions for MSMEs through Fund of Funds was decided by the Govt. MSMEs will also be encouraged to get listed on stock exchanges.
4. The Indian government has also given a new definition of MSMEs, which increases the threshold limit for investment in these units.
5. Global tenders up to ₹200 crores would be disallowed aiming at protecting MSMEs from the unfair competition from foreign entities. Other good steps like MSMEs E-market linkage and clearance pending dues from the government or government-owned companies within 45 days are proving beneficial for the MSMEs.
6. Other interventions for MSMEs: Loans upto 1 crore within 59 minutes through online portal. ii. Interest subvention of 2% for all GST registered MSMEs, on fresh or incremental loans. iii. All companies with turnover of more than Rs. 500 crore to be mandatorily on TReDS platform to enable entrepreneurs to access credit from banks, based on their upcoming receivables. It would solve the problems MSMEs relating to their cash cycle.

7.4 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.

7.5 STARTUPS: DEFINITION, CHARACTERISTICS AND TYPES

A startup company, or simply a startup, is an entrepreneurial venture in its early stages of operations typically aimed at resolving a real life issue with an innovative product or service. These ventures are typically small in nature, new, and funded by either to founding entrepreneur or a group of investors who believe in the founder or company concept. These companies often start with just an idea and a plan that might resolve a burning issue or bridge a business gap in the market. Many startups work on the need of a society and attract investors because of the growth opportunity. These startups generally funded through promoters or group of promoters who believe in business idea. Some entrepreneurs, however, are cautious on entrance of new investors and don't want to dilute their ownership, so they opt for debt financing instead. Most of the startups focus on quick and sustainable model of business, which essentially includes standardization of processes, which were previous unstructured and can be replicated by the company in short time.

Startups are companies or ventures that are focused around a single product or service that the founders want to bring to market. These companies typically don't have a fully developed business model and generally face lack of funds on the initial stage. Founders come with unique and new ideas, that why, a few investors get motivated to fund the projects. So, many investors prefer funding from family members, friends and venture capitalists. Silicon Valley is the most suitable example of venture capitalist community and is a popular destination for startups. Startups, crucially, use a large part of funds in research and to develop their business plans. Market research helps determine the demand for a product or service, while a comprehensive business plan outlines the company's visions and goals, as well as management and marketing strategies.

7.5.1 Definition of Startup (only for the purpose of Government schemes)

An entity shall be considered as a Startup:

- i. Up to a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.
- iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

An entity shall cease to be a Startup on completion of ten years from the date of its incorporation/ registration or if its turnover for any previous year exceeds one hundred crore rupees.

General Definition: The concept of a startup is quite comprehensive as it works on a fresh idea and tries to fulfill the basic needs and it demands lot of hard work on research, developing business idea, and coping with the challenges and fear of failure as Niel Blumenthal, co-founder of Warby Parker states that a startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed. It shows that a startup requires an expertise, patience, innovative and managerial skills altogether.

Among the most popular definitions of a startup, the definition given by Eric Ries (the creator of the Lean Startup methodology) is considered the most suitable. He says, "A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."

Wil Schroter has defined a startup in his own way. He defines, "A startup is the living embodiment of a founder's dream, and it represents the journey from concept to reality".

Stephanie Caudle claims, "A startup is a company that solves a problem, if your company isn't solving a problem, your company is simply an idea".

Some prominent examples of startups in India: Microsoft, Amazon and eBay are good examples of successful startups worldwide. It is, currently, a great time for startups in India. Business seems to be booming and we can observe their way of working and get some inspiring insights. A number of startups in India are rocking and giving motivation to the new aspirants at large. We can take the example of Wow which is food chain based on Kolkata, growing its business day by day in India. It sells burgers, Tibetan food and just about anything a customer demands for. Everyone knows Ola Cabs, which is currently giving tough competition to the

Uber in minicab services. A company named by AddressHealth is providing healthcare in schools and clinics and have proven to very successful recently. Most of the people especially the Youngsters might be familiar with Zomato which is one of the most well-known startups and perhaps one of the most successful food tech startups in India that has turned into an international business. Paytm is a great example of another very successful startups. This startup is a payment service that allows people to pay funds to each other. It is very similar to PayPal. While it's not at that level yet, it still seems to dominate all over India. FreshToHome, FreshMenu, Myra, Cure.Fit etc. are some of the most leading and successful examples of startups in India.

7.5.2 Characteristics and Features

To understand the concept of a startup, we must pop out with its features. There are various features of startups which are common. Some important features are discussed below as:

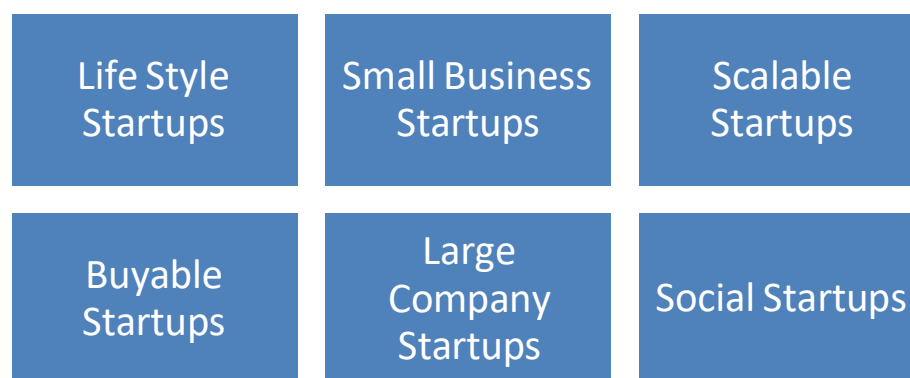
1. **Innovation:** this type of business needs to have a differentiator competition in order to gain competitive advantage in the market. It is innovation may be present in their products or in the business model associated with company. An innovation plays a significant role in the success of a startup. So, all entrepreneurs should seriously consider this aspect.
2. **Age:** A startup is new company which is still in early stages brand management, sales and hiring employees. Generally, this concept consider a business as startup that have been on the market for less than 3 years, however, this is always not true.
3. **Growth:** A startup is company, whose goal is to grow and expand rapidly, taking up to sometimes drastic proportions. This is one of the points that make a distinction of startups over the small business.
4. **Risk:** Once a startup comes into existence, there are always several associated uncertainties about ensuring the success of the business. For this reason, these Businesses are considered risk investments with a high failure rate.
5. **Solving a problem:** these type of business work with utmost innovative way, this type of company focuses on solving any existing problem in the market. So they focus on making a difference not only in the market place but also in people's lives through product or service.
6. **Scalability:** A startup is company in constant search of a business model that is scalable and repeatable, that is, it can grow without the need to increase human or financial resources.
7. **Work team:** startups usually get shaped with limited resources and made up of very few people. Although, this is not the only determining factor for the designation of startup but it is quite common to define it when in working team there less than 100 people.

In short, we can consider that a startup is a company that is in the early stages of development in order to solve real-life problems through a product or innovative service. In India, the term "startup" has gained a lot of popularity and more and more people are showing their interest in be in becoming entrepreneurs. The term startup refers to a company in the first stages of

operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand or demand can be created. These companies generally start with high costs and limited revenue, which is why they look for capital from a variety of sources such as venture capitalists.

7.5.3 Types of startups

After understanding the concept of what is a startup, it is time to identify the various types of businesses that they can present. Due to the increased demand in this market, it is necessary that future entrepreneurs know the types of startups exist in the market in which their idea of business can fit. According Steve Blank a reputable entrepreneur of Silicon Valley, there exist 6 different types of startups:

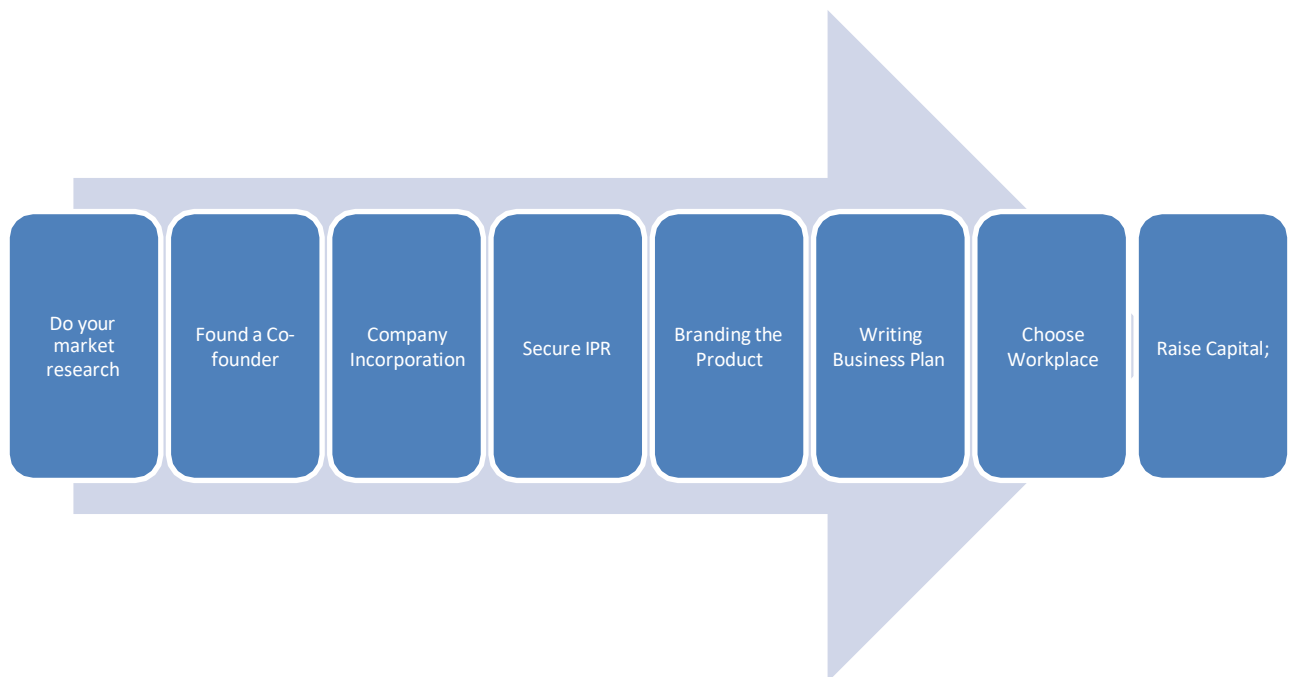


1. Life Style Startups: These are founded by entrepreneurs who are working for their interests or what else they like. Examples of these are freelancers or web designers who have passion for their work.
2. Small Business Startups: Small business where the owner follows less ambitious goals, to provide only a comfortable life for his family. Examples of these are hair dressing salons, grocery stores, bakeries, among others.
3. Scalable Startups: Founded by entrepreneurs who believe from the beginning that can change the world with their business idea and therefore worry about finding a model scalable and repeatable business in order to draw the attention of investors to boost their business. Examples of these are Google, Uber and Facebook.
4. Buyable Startups: These startups are born with the goal of being sold to large companies after achieving positive results that can catch an attention. These types of startups are very common in web solutions development companies and mobile. Best example of this type of startup is Instagram which is recently purchased by Facebook.
5. Large Company Startups: They have the main objective of innovation and have a limited duration of life. Changes in customer preferences change in rules and regulations, technologies, increased competition etc. force large companies to create new innovative products and services for new emerged markets. Some good examples of this type of startup are Android and Google.
6. Social Startups: Finally, business whose entrepreneurs want to make a difference in society and make a better world. Thus, the main objective is not to gain profit, but rather

to contribute positively to the community. For example, we can see many charitable institutions in our town or cities working in education and health sector.

7.5.4. Steps for starting a Startup

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:



1. Do your market research: Every entrepreneur has at least one big idea for the next big thing but what matters is not the idea but the willingness to take action on that idea so as to make that idea into a reality. For this, you need to conduct thorough market research so as to know where you stand and if your idea is really worth pursuing further. To know where you stand, begin your research by writing down the problem you think your business idea will solve. For this, you need to either consider writing up a survey for these potential customers to take or talk to them personally to take feedback. It is only after you get your results that you will know where you stand and if it's even worth checking out the competition for your product. After a competition check, aspirant should keep all of results and data with him as it would be really helpful in the coming

years to know where the business was and what is needed to take a business on the next level.

2. Find a Co-founder: During this time businessman also get to decide if he wants co-founders or want to go solo ahead. It is important to know that not having the proper support during this time can make or break your chances of creating a successful venture. Thus, first, look for a founding team or co-founder before making an investment in a startup company. This will not only help build a support system but also having a co-founder will help the business with many other benefits such as decision-making, risk-bearing etc.
3. Get your company incorporated: Incorporating a company is as big a deal for a startup as it will affect many aspects of its lifecycle. Incorporating means turning your business into a legal entity and deciding how it will be structured for the future. In India after the process of incorporation, a company will typically be incorporated as one of the following:
 - i. Private Limited Company
 - ii. Public Limited Company
 - iii. Unlimited Company
 - iv. Limited Liability Partnership (LLP)
 - v. Partnership
 - vi. Sole Proprietorship
 - vii. Joint Venture Company

Also, there are provisions of getting your company incorporated as (a) Liaison Office, (b) Project Office, (c) Branch Office, or (d) Subsidiary Company

4. Secure intellectual property and rights: To start a startup, one also needs to secure intellectual property rights and research if they are already not patented or trademarked by someone else. Intellectual property or IP refers to the process by which you or your company can own the rights to create your product and then sell them. Examples of IP rights include patents, copyright, and trademarks and they are vital to your success and your company's success in the future. It is important to secure your IP early on as it will protect a business against any copycats. This will also let a businessman to know if he is not one of the "copycats" and product or service is genuine and not violating any existing IP rights.
5. Decide on the branding of product: Branding is almost as important as IP rights for a company as it builds company's image and reputation. Note that branding is more than just choosing a name for your company as it builds its identity and projects its idea. When one thinks about branding, he needs to see not just the current product, but also its future potential. For example, if you are about to build a platform for selling books on an online platform, you cannot just restrict its name to highlight books as you might expand to selling other products in the future and having a name with the word "books" in it will somehow limit it. It is also important to select a name that you love and want as it would be rather

hard to change it once your company had built its brand and reputation. It would also require a lot of hard work and resources to recreate a connection with a new brand or name that people already associate with that name. The biggest example of the above is when Nestle changed the recipe of their noodle Maggie a few years back and lost a huge chunk of their customers due to it.

6. Write a business plan: Writing a business plan is one of the most important steps in setting up a startup as it covers almost aspects of a company and its future. One can write a good business plan for any company using the market research (that he/she did earlier) and from there on creating that plan for the future and drafting every step for the company. This business plan will also help to determine goals and milestones for a company and help to know when business go off track and guide management on many aspects.
7. Pick a workplace and find a mentor: When business plan have been developed, it is important to execute it and execute it well, so during the process one should find a workplace for the business main site and also a place which suits company's needs. Where you work also does have an effect on your startup as the right environment is very important to motivate you and your team. While many founders initially choose to work from home so as to save money, however, after a good start and expansion of business a wider and suitable place is needed. Finding a mentor is also important as the right mentor will guide at a crucial time and make a huge difference in the decision that you take for your business. Right mentor can also provide deep industry insight and wisdom that will help you navigate some of the challenges that might come your way in the future.
8. Raise the capital: For any company, capital is one of the most crucial parts of their launch and raising it is one of the hardest parts for any company. Founders thus have to look for angel investors or venture capital firms for their company and in return for their money have to show a lot of potentials and at times keep everything as collateral. While capital investment is huge for any company it also does have a dark side as a huge financial risk increases in the business. Thus, it should be decided that how much capital you need to raise for your business and how much of it should come from investors as a loan. Once you have that figured this out, you should decide how you will be raising it and how you plan to give it back in the future.

In the beginning, it might take some time to get all these steps completed. So, it demands a patience and thorough knowledge of all these processes as they will help when to move ahead with the operations. Today, there are many large companies in India who were started as startups some years ago. We can look at the examples of Flipkart, Ola, Zomato, Oyo Rooms etc. to find some inspiration.

7.6 ROLE OF MSMEs IN INDIAN ECONOMY/ IMPORTANCE 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:** The below-mentioned data, represented in a tabular format, is by the Central Statistics Office (CSO) and Ministry of Statistics & Program Implementation.

Broad Activity Category	Employment (in Lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	0
Total	497.78	0.02	1109.89	100

*Non-captive electricity generation and transmission

Source: Annual Report (2018-19) of the Ministry of Micro, Small and Medium Enterprises.

Above Govt. sources show that in the year of 2018-19, MSMEs was providing job opportunities to over 110 million which has increased almost 120 million or 12 crore at present. India produces about 1.2 million graduates per year out of which the total number of engineers are around 0.8 million. There is no economy so far that could provide that large number of freshers in one year only. MSME is the boon for the fresh talent in India.

2. **Contribution to GDP:** To understand the MSMEs contribution in our economy we should observe the following table carefully:

Contribution of MSMEs in Country's Economy at Current Price

Year	MSME- Addition of Gross Value	Growth (%)	Total Addition of Gross Value	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	–	8106946	32.35	8736329	30
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

Source: Central Statistics Office (CSO), Ministry of Statistics & Program Implementation

It is clear from the above source that in India MSMEs share in GDP is very significant as almost one third part of GDP comes from this sector which is remarkable achievement. The Indian MSME sector provides silent support to the national economy and acts as a defense against global economic shock and adversities. Hence, we can say that India is propelling towards a robust global economy through a silent revolution powered by MSMEs.

3. Entrepreneurial Endeavors: The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. It provides opportunity for budding entrepreneurs to build creative products boosting business competition and fuels growth. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), the contribution of MSME sector in Country's Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices from 2014-15 to 2018-19 is discussed in the above table. With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities. The contribution of Manufacturing MSMEs in the country's total

Manufacturing GVO (Gross Value of Output) at current prices has also remained around 33% i.e. one-third during the period from 2014-15 to 2018-19. It is very important to note that this sector contributes around 45% of the overall exports from India. MSME ministry has set a target to up its contribution to GDP to 50% by 2025 as India becomes a \$5 trillion economy.

4. Inclusive growth: MSMEs promote inclusive growth by providing employment opportunities in rural areas especially to people belonging to weaker sections of the society. For example, Khadi and Village industry employs a large number of women in rural areas. Apart from this, it will boost the financial inclusion as Small industries and retail businesses in tier-II and tier-III cities will require the use innovative banking services like cashless transactions etc.
5. Growth of Micro sector in rural development: With 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs are the micro enterprises. Out of 633.88 estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas. This distribution shows that MSMEs can play a pivotal role in the rural development.
6. Benefits to the socially backward community and SCs and STs: The socially backward groups owned almost 66.27% of MSMEs. Bulk of that was owned by OBCs (49.72%). The representation of SC and ST owners in MSME sector was 12.45% and 4.10% respectively. In rural areas, almost 73.67% of MSMEs were owned by socially backward groups, of which 51.59% belonged to the OBCs. In urban areas, almost 58.68% belonged to the socially backward groups, of which 47.80% belonged to the OBCs. The analysis of enterprises owned by socially backward groups in each of the three segments of MSME sector reveals that micro sector had 66.42% of enterprises owned by socially backward group, whereas small and medium sectors had 36.80% and 24.94% of enterprises owned by socially backward groups, respectively.
7. Women Empowerment: All Central Public Sector Undertaking (CPSUs) has set a minimum limit of 25% from MSMEs of total public undertaking procurement and out of the 25% procurement; it is mandatory that 3% procurement must be from women entrepreneurs. Indian women entrepreneurs are writing a history of their success in business world and showing their presence because of MSMEs initiatives. Ministry of SMEs published the real life stories of many successful women entrepreneurs of India who started their MSMEs. You can visit the MSMEs site (<https://msme.gov.in/success-stories>) for getting many insightful thoughts from the successful women entrepreneurs.
8. Economic stability in terms of Growth and leverage Exports: It is the most significant driver in India contributing to the tune of 8% to GDP. Considering the contribution of MSME to manufacturing, exports, and employment, other sectors are also benefitting from it. Nowadays, MNCs are buying semi-finished and auxiliary products from small enterprises, for example, buying of clutches and brakes by automobile companies. It is helpful in creating a linkage between MSME and big companies even after the implementation of the GST 40% MSME sector also applied GST Registration that plays an important role to increase the government revenue by 11%.
9. Cheap Labor and minimum overhead: While in the large-scale organizations, one of the main challenges is to retain the human resource through an effective human resource

management professional manager. But, when it comes to MSME, the requirement of labor is less and it does not need a highly skilled laborer. Therefore, the indirect expenses incurred by the owner would also be low.

10. Simple Management Structure for Enterprises: MSME can start with limited resources within the control of the owner. From this decision making gets easy and efficient. On the contrary, a large corporation requires a specialist for every departmental functioning as it has a complex organizational structure. Whereas, a small enterprise does not need to hire an external specialist for its management. The owner can manage himself. Hence, it could run single-handedly.

Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology. MSMEs are playing a main role in the mission of “Make in India” and this sector is considered as a backbone in making this dream a possibility. Thus, Indian MSME sector is the backbone of the national economic structure and acts as a bulwark for Indian economy, providing resilience to ward off global economic shocks and adversities.

7.7 LET US SUM UP

This chapter gives some insights about the MSME sector in India. This sector is the most reliable source of employment generation and the significant contributor to the nation's economy. The Indian government has considered its importance, so that, MSMED Act, 2006 was enacted for the promotion and development of this sector. It ensures the protection and promotion through various corrective and developmental measures. In fact, the sector is an epitome to the young blood to spread the enterprise cult in a country or even throughout the world. It is working as a seed bed of entrepreneurs in India, thus, more equitable and just development and economic growth in future is inevitable.

7.8 TO CHECK THE PROGRESS

7.8.1 LONG ANSWER QUESTIONS

1. How will you define a MSME under revised classification by Ministry of MSMEs? Explain the online process of MSME registration with Fee, eligibility criteria.
2. What are the benefits to an entity getting it registered as a MSME? What measures are taken recently by Indian Government to boost the operations of MSME sector?
3. Define the concept of a startup. What are the types of startup? Elaborate.
4. Write the steps of how one can transform his dream into reality of setting a startup.
5. Discuss the role of MSME sector in the development of Indian economy with supporting data.

7.8.2 SHORT ANSWER QUESTIONS AND ANSWERS

1. What is MSME?
2. What is the new definition of MSMEs?
3. Explain the features of a MSME.
4. What are the eligibility criteria for getting registered as a MSME?
5. Who can apply for MSMEs registration in India?
6. What documents are required in MSMEs registration?
7. What benefits an entity can enjoy after getting registered as a MSME?
8. "MSMEs a Seed Bed of Entrepreneurship". Elaborate this statement with suitable examples.
9. Write the procedure of getting MSMEs registration number and certificate by any entity.
10. Define a Startup.
11. How an entity shall be considered a startup under government schemes in Indian perspective?
12. Helpline Udyami is meant for:
 - a. Micro, Small and Medium Enterprises
 - b. Large capital Enterprises
 - c. Women Enterprises
 - d. Farming Activities.

Answer: (a).

13. Which of the following assistance is provided by SIDBI?

- a. Extending financial support to SSIDC and NSIC
- b. Upgrading the waste management technology
- c. Developing small scale industries as the ancillary to the big industries
- d. Procuring Govt. orders for the small industries.

Answer: (a).

14. The National Board for MSMEs meets once every month in a year.

- a. 4
- b. 2
- c. 6
- d. 5

Answer: (c).

15. Consider the following with respect to MSMEs
- | Category | Turnover Limit |
|-----------------------|----------------|
| 1. Micro Enterprises | 5 Crores |
| 2. Small Enterprises | 100 Crores |
| 3. Medium Enterprises | 250 Crores |

- | | |
|-----------------------|------------|
| 1. Micro Enterprises | 5 Crores |
| 2. Small Enterprises | 100 Crores |
| 3. Medium Enterprises | 250 Crores |

Which of the pairs given above are correctly matched?

- a. 1 and 2 only
- b. 2 and 3 only
- c. 1 and 3 only
- d. 3 only

Answer: (d).

BACHELOR OF ARTS SEMESTER-III
COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT 8: E-COMMERCE

STRUCTURE

8.0 OBJECTIVES

8.1 INTRODUCTION

8.1.1 FEATURES OF E-COMMERCE

8.2 TYPES OF E-COMMERCE

8.3 SMALL BUSINESS

8.3.1 CHARACTERISTICS OF SMALL SCALE INDUSTRIES

8.3.2 BENEFITS OF E-COMMERCE FOR SMALL BUSINESS

8.4 ROLE OF E-COMMERCE IN PROMOTING SMALL BUSINESS

8.4.1 POTENTIAL BENEFITS OF E-COMMERCE TO INDIAN MSMEs

8.4.2 EXPAND MSME OUTREACH

**8.4.3 KEY INITIATIVES BY E-COMMERCE COMPANIES TO BOOST
MSMEs SALES**

8.4.4 FEW EXAMPLES OF E-COMMERCE SUPPORTING MSMEs

8.5 IMPORTANCE OF TECHNOLOGY IN SMALL BUSINESS

8.6 LET US SUM UP

8.7 TO CHECK THE PROGRESS

8.7.1 LONG ANSWER QUESTIONS

8.7.2 SHORT ANSWER QUESTIONS AND ANSWERS

8.0 OBJECTIVES

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

- Understand the detailed concept of E-commerce.
- Define different types of E-commerce.
- Find out the role of e-commerce in promoting small business.
- Identify the role of modern technology in growth of small business.

8.1 INTRODUCTION

Electronic Business generally referred to as E-commerce or e-trade, is buying and selling in services or products performed through PC networks together with the Internet. Electronic trade attracts on technology together with cellular trade, digital price range transfer, deliver chain control, Internet marketing, on-line transaction processing, and digital information interchange (EDI), stock control systems, and automatic information series systems. Modern digital trade commonly makes use of the World Wide Web at the least at one factor within side the transaction's life-cycle, despite the fact that it could embody a much wider variety of technology together with e-mail, cellular devices, social media, and phones as well.

Electronic trade is normally taken into consideration to be the income component of e-commercial enterprise. It additionally includes the alternate of information to facilitate the financing and price elements of commercial enterprise transactions. This is a powerful and great manner of speaking inside an organisation and one of the only and beneficial approaches of carrying out commercial enterprise. It is a Market access approach in which the enterprise may also or might not have a bodily presence.

8.1.1 Features of E-commerce

The features of E-commerce are explained as follows:

1. Universal

A physical business is limited to its customers by the city in which it is located, while an e-commerce business is global. E-commerce encourages customers to buy from anywhere in the world.

Due to the ubiquity of e-commerce, opening hours and geographic restrictions on catering are increasing. People can connect to an e-commerce business if the Internet is available.

2. Broad Customer Reach

E-commerce businesses have reached customers worldwide. E-commerce gives entrepreneurs the ability to seamlessly serve customers across cultural and national boundaries. The e-commerce market can reach millions of customers around the world.

3. General Standards

One of the main characteristics of an e-commerce business is the overall acceptability of a website. An e-commerce website should work with generally accepted systems and methods. Compliance with global standards helps users of an e-commerce site to use it effectively.

4. Interactive Platform

Another important characteristic of an e-commerce business is interactivity. Interaction means two-way communication between the user of the e-commerce website and the company. It is easy for customers to shop on the website where they can interact before, after, and even during the purchase.

For example, while a pupil desires to shop for a web path, he might want the help of the specialists of the internet site to assist him to select an appropriate stage of path for him. In addition to this, companies can realize approximately the hassle confronted with the aid of using the customers in their e-commerce platform and may repair them with a purpose to cut the losses.

5. Rich in content material and records

The richness of content material and records method the content material and records may be supplied with inside the shape of audio, video, and photos at the internet site. For example, a consumer may be inspired greater if there's a video to be had at the internet site containing the records approximately the capabilities of the goods and records approximately a way to use it or a link to the weblog publish explaining the makes use of the product. Educated and aware

clients usually are trying to find such records earlier than creating a buy decision. In addition to this, such content material makes the e-commerce internet site appealing to the consumers.

6. Information densities

With the assist of e-commerce, the value of accumulating records has decreased drastically. It has grown to be very smooth however additionally has grown to be pretty cheaper to do so. Besides this, the accuracy and timeliness of the records have additionally improved. Using the records density, a service provider can promote the identical product to a special organization of human beings at special prices.

7. Personalizations

The one function of e-commerce companies is its capacity to offer customized offerings to every consumer. With the assist of the era and surfing and beyond purchases records of a consumer, companies can propose customized merchandise and provide to an individual. The identical platform will incorporate special gives and pointers for special human beings. The products and services may be modified in line with the consumer's preference.

8. Easy to apply the checkout

Internet connectivity has made the e-commerce platform smooth for human beings to get entry to whenever and everywhere within side the world. 80% of the instances human beings browse through the internet sites; they don't have anything to do or simply to search for something. To convert this form of customers into buyers, you want to apply e-commerce platform to take a look at our portal. If it calls for an excessive amount of problem to find out the products, then customers could get bored in shopping for the product, and you may lose commercial enterprise. Therefore, one of the crucial functions of an e-commerce commercial enterprise is having more than one alternative for payment which includes charge thru credit score cards, debit cards, PayPal, and coins on delivery, etc.

9. Reporting device

The reporting device will assist you to recognize the troubles confronted with the aid of using your customers immediately, and you may restore them earlier before it poses any greater troubles to the alternative customers of your e-commerce platform. Reporting device additionally will increase the reliability of your customers after they recognize that they'll get assist in case something is going incorrect with their transaction.

10. Promotional and bargain code device

Another characteristic of an e-commerce platform is the promotional and bargain code device. Take the instance of Zomato, Swiggy, and UberEATS. They constantly offer a reduction and promotional code at the meals ordered with the aid of using the human beings. People have a tendency to shop for greater if they may be given offers on their buy.

11. Integrated blog and articles phase

Internet blogging and article phase is used as a marketing strategy to draw customers. Blogs can help your business to find and build your business branding. With the help of blogs, you can interact with your customers and share articles that are useful for customers. So the customers do not get bored with promotional content but also receive education. It is a remarkable manner to boom the site visitors to your e-commerce website.

8.2 TYPES OF E-COMMERCE

There are five types of e-commerce, these are discussed as follows:

1. Business to Business (B2B)

Business to Business or B2B refers to e-commerce between companies. An e-commerce business can deal with suppliers, distributors, or agents. These transactions are usually carried

out through electronic data interchange or EDI. Security needs are higher than B2C. For example, manufacturers and wholesalers are B2B companies. Through B2B e-commerce, companies can improve the efficiency of several common business functions, including supplier management, inventory management, and payment management. This has the added benefit of being able to process more orders at a lower cost in the same amount of time. E-commerce technology can also help shorten the billing cycle for inventory management by connecting channel partners with the company for faster data access. Companies can enhance their inventory management capabilities by electronically tracking ordered shipments, resulting in lower inventory levels and improved on-time delivery of company services. This e-commerce technology is also used to improve the efficiency of payment management between a company and its partners and distributors. By processing payments electronically, businesses can reduce clerical errors and speed up invoice processing, resulting in lower transaction fees.

2. Business to Customer (B2C)

Business to Customer or B2C refers to e-commerce activities aimed at consumers rather than companies. For example, a book retailer might be a B2C company like Amazon.com and other companies that follow brokerage or business models. Other examples include purchasing the services of an insurance company, online banking, and using travel services.

3. Customer to Business (C2B)

Customer to Business or C2B refers to e-commerce activities using reverse pricing models in which the customer determines the price of a product or service. In this case, the focus shifts from selling to buying. Greater emphasis is on customer empowerment in this form. In this type of e-commerce, consumers can choose from a wide variety of products and services, and determine the range of prices they can or are willing to pay for a product, service, or specific product. The result is shorter negotiation times, increased flexibility and a compelling argument for both sellers and consumers.

4. Customer to Customer (C2C)

Customer to Customer or C2C refers to e-commerce activities that use an auction-type model. This model includes transactions between people, completely excluding companies from the equation. Customers are also part of the business, and C2C allows customers to transact directly with each other. An example of this is the peer-to-peer auction giant EBay.

5. Business to Government (B2G)

This is a new trend in e-commerce. Government agencies use this type of e-commerce to communicate directly with citizens by building websites. Any citizen can interact with these websites for various details. This allows everyone to find out the facts without visiting the relevant departments, which also saves time for both employees and residents. The concept of a smart city originated from B2G e-commerce.

8.3 SMALL BUSINESS

A commercial enterprise which features on a small scale degree includes much less capital investment, much less wide variety of labour and less machines to perform is called a small commercial enterprise. Small scale Industries or small commercial enterprises are the kind of industries that produces items and offerings on a small scale. These industries play a critical role in the financial improvement of a country. Few examples of small-scale industries are paper, toothpick, pen, bakeries, candles, neighbourhood chocolate, etc., industries and are primarily settled in city vicinity as a separate business unit.

8.3.1 Characteristics of Small Scale Industries¹⁰⁵

The important features of small scale industries can be summed up as follows:

1. **Ownership:** They have a single proprietor. So it's also called a sole proprietorship.
2. **Management:** These firms are generally controlled by the proprietor.
3. **Limited Reach:** They have constrained vicinity of operation. So they will be a neighbourhood or an enterprise positioned in single vicinity.
4. **Labour Intensive:** Their dependency on machinery or technology could be very little due to the fact they're depending on labours and manpower.
5. **Flexibility:** Because they're small, they're open and bendy to surprising changes, in contrast to big industries.
6. **Resources:** They make use of neighbourhood and straight away resources. They do higher usage of herbal sources and restrained wastage.

8.3.2 Benefits of e-commerce for Small Business

E-commerce offers the following benefits for the growth of small businesses:

1. Large Commercial Reach

One of the most important benefits of e-commerce is that it opens up access to your business to people you cannot physically attend. With an online store, you can only sell your products /services to different locations from one store. Plus, if you choose shipping solutions like Shiprocket, you can send over 29,000 PINs in the country, so by working in one location, it can serve customers all over the world, just like with Shiprocket, you can also ship your products to all the countries in the world without having office in any country.

2. Increase your business income

As your business grows, your customer base will grow, which directly affects your sales. Hence, it will increase your income. With a higher income, you can expand your product line or invest more in marketing to reach a wider audience.

3. Search Engine Traffic

Reaching an audience by sending e-mails, phone contacts or sending marketing messages can be a tedious task, but thanks to the company's search engine, it has become much more convenient to attract people to the store by traffic. As an e-commerce medium, you can get good access to search engines and start getting consistent traffic to your store. Gradually, using advanced e-commerce techniques, you will be able to turn them into a steady stream of customers for your business. You just need to make your site SEO optimized so that it appears in search queries and attracts a lot of traffic.

4. Low maintenance

One of the benefits of an online store is that you don't have to build physical stores in all of the locations where you want to sell your products / services. Only electronics will do this for you. This will lower the operating costs of your business. This way, while you have access to customers all over the country, your operating costs are kept to a minimum.

5. Online Reputation Building

As a small offline enterprise, while your clients recognize your merchandise/services, it's difficult that allows you to take benefit of these appreciations to steer new clients. But, with a web presence of your enterprise, your clients can proportion their appreciation over social media profiles of your enterprise. These opinions are publically to be had for all and sundry to look and this enables you to steer your new customers to get transformed to clients. However, for this to happen, you want to have your enterprise money owed on Face book, Instagram, Twitter, and different such social media structures.

6. Flexible Timings

As you'll be walking your enterprise on line, you could continue to be open for brand new orders and your clients 24×7, which isn't possible with inside the case of an offline brick and

mortar store. So, through going on line, you could get hold of orders 24x7 and by no means allow any possibility slip far from you. Reviews Word of mouth remains one of the maximum famous advertising techniques which could assist any emblem cross viral overnight. You can ask clients for opinions on line and construct credibility through publishing those on social media structures and different income channels.

7. Ease of Product Tracking

Tracking a product on line may be one of the maximum good sized benefits of an e-commerce enterprise. You can fast understand the reputation of your stock especially while you hand it over to the success company. Alternatively, you could additionally tune merchandise with a purpose to quickly run out of inventory on your stock and inventory greater stock as in step with the requirements.

8. Automated Product Delivery Solutions Available

One of the worries of a web enterprise might be dealing with the transport of the goods to their clients who're dwelling in specific components of the sector. For them, the coolest information is that there are numerous e-commerce logistics and delivery structures to be had nowadays which could supply any product in any part of the sector from everywhere as in step with the requirement. Shiprocket is the maximum used courier package deal transport platform utilized by the e-commerce corporations in India due to its good quality, low costs, and the capacity to control the maximum quantity of serviceable PIN codes. With Shiprocket, you could supply your merchandise to 29000 plus PIN codes in India and 220 plus international locations globally with the usage of 17 plus courier partners.

8.4 ROLE OF E-COMMERCE IN PROMOTING SMALL BUSINESS

The Micro Small and Medium Enterprises (MSMEs) sector is a key contributor to the socioeconomic development of the country. The MSMEs sector contributes 29% towards the Indian GDP through its domestic and international trade. The Indian government envisions to double the country's economy to US\$ 5 trillion in five years and to achieve this goal, it aims to enhance MSME's share in exports and its contribution to the GDP.

Since 2014, the government has launched initiatives such as Digital India, Make in India, Start-up India, Skill India and Innovation Fund to promote e-commerce in India. It also encourages MSMEs to sell their products on e-commerce sites, especially government sites such as e-Market place (Gem), which is used by ministries and PSUs for the purchase of raw materials. The platform has recorded transactions worth Rs 55,048 crore (\$ 7.5 billion) as of September 2020 Under the Digital India Initiative; the MSME Ministry has implemented several initiatives to digitize the entire MSME ecosystem. Nitin Gadkari, Minister of MSME Affairs, said at the 2021 Amazon Smbhav Summit: "E-commerce will play a critical role in the success of Indian MSMEs and the sector must ensure that this digital transformation occurs at a pace that allows them to benefit about current opportunities. It is becoming increasingly clear that technology will be a key factor in determining the success and competitiveness of Indian MSMEs both nationally and globally in the coming days. Digitizing millions of MSMEs should be a top priority."

8.4.1 Potential Benefits of E-commerce to Indian MSMEs

E-commerce has huge potential for the growth of small business. Some of the potential benefits are discussed here:

1. Increase sales and income margins

Improved timeliness of advertising and marketing, worldwide purchaser base and bendy enterprise behaviour can resource MSMEs to boom sales and offer unique e-trade advantages

which includes on line referral structures to collect greater customers, knowledge-based customisation to enhance consumer acquisition and use carrier & comments channels to decorate the destiny income experiences. Also, e-trade adoption allows MSMEs to take benefit of third-celebration buying and selling structures (e-trade marketplaces) with nominal or no funding in growing and website hosting on line storefronts and handling, packaging, logistics, warehousing and different infrastructure. This can boom income margins via way of means of lowering overhead and preliminary investments.

2. Reduce spend on advertising and marketing and distribution expenses

Because of expanded opposition on this area, e-trade gamers are closely spending on virtual and conventional media to enhance website online traffic, benefit customers, set up consumer relationships and improve income. In addition, virtual channels offer a cost-powerful and green info media area to promote it and speak with goal audiences, in which maximum e-trade structures offer hyperlinks on social media channels, that is then utilized by their companions to create focus approximately their merchandise and services. This can similarly assist MSMEs decrease fees on alternate shows, offline advertising, conventional advertising and marketing and keep away from extra expenses which might be required to open offline shops in more than one location.

3. Use information analytics to understand, interact and maintain customers

Through their portals/websites, maximum B2B e-trade gamers generate, keep and examine consumer information which includes merchandise; costs and technical information accessed, time spent on each page, orders positioned and purchases remodelled a period. These gamers additionally examine information factors which includes choices which includes shipping time, location, order quantity, packing, logistic alternatives and charge methods. Moreover, this information may be of exceptional help to MSMEs that don't have technical resources. In addition, MSMEs can use information to offer quicker reaction to consumer needs and higher after-income carrier to lock-in a devoted client base.

8.4.2 Expand MSME outreach

E-commerce has the potential to help SMEs scale up and expand reach in the following ways:

1. Creating a global demand for reputation

Online transactions create a verifiable history of a company's performance and reliability. Consumers often rely on these registries to identify companies that are more likely to provide satisfactory service. In addition, companies and financial institutions rely on this data to find reliable partners and identify strong companies to invest in and support growth. The most valuable asset a company is building a global reputation.

2. Access to external markets

One of the biggest problems of traditional export channels is the inability of small companies to participate in this process, in order to overcome it, commercial e-commerce platforms provide a level playing field for all types of companies that want to access external sources. This can be achieved in two ways: first, companies can create their own websites and fulfil orders themselves; second, where companies can participate in e-commerce sites that have an international presence and benefit from inbound customer traffic and infrastructure support. In addition, e-commerce exports enable companies to test the water and determine how well the product meets the needs of customers in various segments. . For example, Maharashtra-based export company NMK Textiles recently took over Amazon's e-commerce platform to launch its new California Design Den brand. Under this brand, the company sold and exported high-end "Made in India" bedding; this helped to double sales in North America and expands its presence in global markets.

3. Procurement Benefits

E-commerce platforms can provide MSMEs with the ability to work directly with manufacturers and suppliers and thus help lower acquisition costs by reducing resellers and long-term contracts. This allows MSME partners to reduce storage costs and downtime. The e-commerce platform can offer the best selling prices for bulk purchases. Offline retailers are less likely to offer much more competitive prices.

4. Widespread availability

MSMEs face product availability issues due to limited stocks at local retailers or resellers; however, your specific product requirements are met by online shopping B2B, as this channel offers a wide variety of brands and a wide selection of suitable products and substitutes for the same price or below. With a detailed, diversified portfolio of products and the best pricing, e-commerce platforms solve Karma's global information asymmetry problem in the public sector. Hosted on e-commerce platforms, product reviews, articles, buying guides, and user guides can be of great value to shoppers by helping them choose the right product for their needs.

5. Technology Integration

Finally, e-commerce platforms offer technological advantages such as complete transparency, with detailed monitoring of order status and the possibility of recurring purchases not available during offline purchases, since industrial products are functional in nature and must be repeated for business. MSMEs can get benefit from these services/offering.

8.4.3 Key initiatives by e-commerce companies to boost MSMEs sales

There are certain initiatives by the e-commerce companies to promote MSMEs and some of these are discussed here:

1. 'SAMARTH' by Flipkart

In July 2019, Flipkart, a local platform, developed/introduced *Samarth* programme to promote Indian artisans, weavers and state handloom industries. Through this initiative, the company aims to provide MSMEs an easy access to the online business marketplace and support in terms of business management, storage and account management. With Samarth, Flipkart intends to empower millions of small businessmen, leading to rural India's development.

2. 'MSME Accelerate' by Amazon

The Company launched this initiative in June 2020 to help MSMEs recover from the aftermath of the pandemic. Through this programme, businesses can avail offers and bulk discounts to continue/run their businesses smoothly.

3. Collateral-free loans by Paytm

The Company launched an initiative to offer unsecured loans of up to 5 lakh (US\$ 6,729), at low interest rates, to MSMEs. Under this initiative, Paytm, in partnership with banks and NBFCs, digitised the entire loan process, from application to disbursement, without additional document requirements.

4. 'Atmanirbhar Section' by Shopclues

As part of this initiative, Shopclues launched an online 'Vocal for Local' market platform, which includes locally produced products in various categories such as fashion, footwear, jewellery, groceries and others. The company works with thousands of local merchants and promotes local products on the marketplace.

8.4.4 Few examples of E-commerce Supporting MSMEs

In April 2021, Amazon announced the 'Spotlight North East' programme (US\$ 25 million) to bring together and provide online support to 50,000 artisans, weavers and small businesses from all eight states in the Northeast by 2025; and boost exports of key commodities such as tea, spices and honey.

In April 2021, ICICI Bank launched 'Merchant Stack', a comprehensive digital banking services that is specially coated for retail merchants. These value-added services enable users—such as merchants, grocers, supermarkets, large retail store chains, online businesses and large e-commerce firms—to meet their banking requirements and further serve their customers amid the pandemic. In addition, users can avail these contactless services on InstaBIZ, the bank's mobile banking application.

In February 2021, Walmart's *Vridhhi* programme was extended to Uttar Pradesh, with launch of an e-institute to facilitate small businesses in granting access to skills and competencies across online and offline platforms such as Flipkart's marketplace and Walmart's global supply chain, resp. This new e-institute will benefit 50,000 MSMEs across the country to expand domestically and globally.

In February 2021, Mastercard and Razorpay joined forces to help small Indian businesses and entrepreneurs embrace digital payments. This partnership will integrate Razorpay's payment processing capabilities with Mastercard's digital banking platforms and card services.

In February 2021, Bank of Maharashtra collaborated with *Vayana* Network, a supply chain financing (SCF) platform, to provide financial assistance to MSMEs. Through this partnership, the bank will provide short-term credit to address the budget needs of legitimate corporate dealers/vendors through its *Mahabank* Channel Financing and *Vayana* Network scheme.

India's e-commerce sector is projected to reach \$80 billion by 2021 and \$300 billion by 2030. For MSMEs, e-commerce is rightly synonymous with economic stability, growth and security; and is a channel that allows even the smallest MSMEs to showcase their products in any part of the world without having to shell out on expansion or changing locations. These platforms have empowered small businesses by removing barriers, providing a large customer base and consequently, ensuring increased revenues. A collaborative effort between the government, the private sector, industry groups, training organisations and SMEs is the most efficient way to support MSMEs.

8.5 Importance of Technology in Small Business

Technology is becoming the backbone of all startups. The use of technology in business has increased significantly over the past two decades. With the advancement of computer technology and the Internet, small businesses are making a greater contribution to the economy than in the past. It made it easier to carry out day-to-day business operations and routine tasks. Technology has both tangible and intangible benefits for small businesses, influencing company culture, relationships, and productivity. New technology has increased the security of small businesses by providing secure confidential information and business value. Here are the benefits of new technology for small businesses.

1. Effective customer conversation

Technology is crucial to a firm's capacity to talk with patron efficiently. Small commercial enterprise increase functionality is decided if its personnel can efficiently engage and promote its time table to clients. Web sites permit clients to discover a enterprise's records speedy. Technology has superior quicker cargo of merchandise permitting the commercial enterprise to cover large geographic areas.

2. Marketing

Technology has freed small businesses from the constraints of print advertising to reach new and existing customers and an inexpensive way to reach a large group of people with newsletters, coupons, or business news. Mobile marketing is a relatively new frontier that

reaches people through messaging, mobile app ads, and offers branded apps that connect customers in an engaging and engaging way with the running business.

3. Productivity

Small businesses need to leverage the power of their productivity and technology tools to help employees get the job done faster, from printing marketing materials to providing customer service via email or online chat. When it comes to technology, it's important to keep employees focused on technology and use it wisely to save time. Sometimes a phone call can be more effective and productive than an email. Provide employees with the appropriate hardware and the latest software to help them get on with the job.

4. Mobility

Workplace technology virtually cuts space and time. Video conferencing technology enables companies anywhere in the world to interact. The technology reduces travel costs as companies can hold virtual meetings and distribute data without being in the same room. Technology allows companies to establish a global presence at a fraction of the cost.

5. Operational Effectiveness

Technology also helps businesses understand their cash flow needs and conserve valuable resources such as physical time and space. This is where executives can save time and money by holding meetings over the Internet rather than at company headquarters.

6. Security

Most businesses today face security threats and sabotage. Technologies can be used to protect financial data, confidential operating decisions and other sensitive information, giving you a competitive edge. Simply put, technology helps companies sustain their ideas. stay away from your competitors. By having a computer with a password, a company can ensure that a competitor does not copy any of their future projects.

7. R&D Capability

A company with the technological capability to explore new opportunities will always stay one step ahead of its competitors. For a company to survive, it must grow and acquire new opportunities, new markets without the cost of a working aircraft or the risk of setting up a factory abroad.

8.6 LET US SUM UP

E-commerce is a growing part of not just the retail but for the economy of any country as a whole. The exceptional wave of online shopping has steered to creativity and innovation as small businesses have begun to grapple with e-commerce. Small businesses should look to selling online not just to increase their revenue but to connect with the customers and expand their brand image.

8.7 TO CHECK THE PROGRESS

8.7.1 Long Answer Questions

1. What are the features of E-commerce?
2. Difference between E-commerce and traditional Commerce.
3. What are the different types of E-commerce business models?
4. Explain the role of E-commerce in growth of small business.
5. Discuss the potential of E-commerce in expansion of business.

8.7.2 Short Answer Questions and Answers

1. What are the five types of E-commerce?
2. Different applications of E-commerce.

3. provide security and privacy for the use of the web page content.
A. HTTPs B. html C. FTP D. None of these

Answer. (A)

4. is basically a concept of online marketing and distribution of products and services over the internet.

A. B2G B. B2E C. B2C D. B2B

Answer. (C)

5. Which among the following is an example of C2C?

A. E-bay B. Amazon.com C. Rantalic.com D. All of these

Answer. (D)

6. Which of the following is not suitable for a B2C transaction?

A. Clothes B. Flowers C. Airline reservation D. None

Answer. (D)

7.e-commerce involves the electronic facilitation of transaction between customers through some third party.

A. C2C B. B2E C. B2B D. B2G

Answer. (A)

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Assignment Questions

Unit V

Long Answer Type Questions

1. What is the role of the Entrepreneurship in economic development?
2. What are the objectives of EDPs?
3. Elaborate the problems faced by EDPs. Make the suggestions to remove those problems.
4. Discuss the role of Government in EDP.

Short Answer Type Questions

1. Write short notes on
(b) NIESBD (b) SIDO
2. **Role of EDPs in Indian economy.**

Unit VI

Long Answer Type Questions

1. Define a woman entrepreneur. What are the functions of a woman entrepreneur?
4. Explain women entrepreneurs. Discuss the important characteristics of woman entrepreneur.
5. Discuss the problems faced by women entrepreneurs. What are the steps taken by government to solve these problems?

Short Answer Type Questions

- What are the main features of woman entrepreneur?
6. Explain promotional functions.
 7. Explain managerial functions?
 8. Explain entrepreneurial functions?
 9. Discuss problems faced by women entrepreneurs.

Unit VII

Long Answer Type Questions

6. Define the concept of a startup. What are the types of startup? Elaborate.
7. Discuss the role of MSME sector in the development of Indian economy with supporting data.

Short Answer Type Questions

12. What are the eligibility criteria for getting registered as a MSME?
13. What documents are required in MSMEs registration?

Unit VIII

Long Answer Type Questions

1. Explain the role of E-commerce in growth of small business.
2. Discuss the potential of E-commerce in expansion of business.

Short Answer Type Questions

1. What are the five types of E-commerce?
2. Different applications of E-commerce.