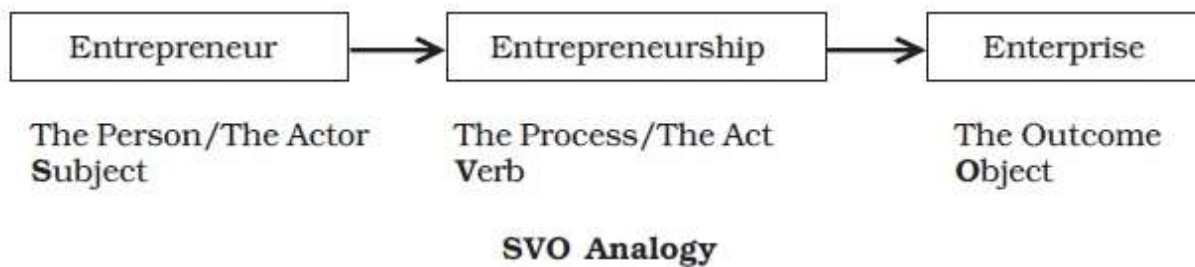


**CBSE CLASS 12 BUSINESS STUDIES**  
**CHAPTER – 13**  
**ENTREPRENEURSHIP DEVELOPMENT**  
**REVISION NOTES**



**MEANING**

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practicing some profession.



A person who set-up his business is called **an entrepreneur** and the output of the process is, the business unit, which is called an **enterprise**. You may invoke 'subjectverb- object (SVO)' relationship in English grammar to clearly understand these terms.

## **THE CONCEPT OF ENTREPRENEURSHIP**

- Entrepreneurship is considered as one of the four major factors of production
- In the early 18th century French economist Richard Cantillon first introduced the term 'entrepreneur' in economics.

### **Definition**

Entrepreneurship as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering the value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business.

## **CHARACTERISTICS OF ENTREPRENEURSHIP**

### **1. Systematic Activity:**

Entrepreneurship is a systematic step by step purposeful activity, which requires certain skills, knowledge, competency requirements that can be learned, acquired and developed through education and vocational training.

### **2. Lawful and Purposeful Activity:**

The object of entrepreneurship is to indulge in lawful business. Purpose of entrepreneurship is the creation of value for personal profit and social gain.

### **3. Innovation:**

Entrepreneurship is creative and it involves creation of value and innovative in introducing path breaking, radical innovations.

### **4. Organisation of Production:**

- Entrepreneur, in response to a perceived business opportunity mobilises the resources into a productive enterprise or firm.
- The entrepreneur develop an idea that he promotes to resource providers and convince just the funding institutions and with the capital so arranged he may enter into contracts of supply of equipment, materials, utilities (such as water and electricity) and technology.
- An entrepreneur needs negotiation skills to raise these in the best interests of the enterprise.

## 5. Risk-taking:

- As the entrepreneur contracts for an assured supply of the various inputs for his project, he incurs the risk of paying them off whether or not the venture succeeds.
- Individuals opting for a career in entrepreneurship are ready take a bigger risk that is involved in a career in employment or practice of a profession as there is no “assured” payoff.

Entrepreneurship has been regarded as a ‘type of behaviours’ whereby one

(i) Proactively tries to solve a problem;

(ii) Uses personal creativity and intellect to develop innovative solutions;

(iii) Thinks beyond resources presently used and try new ideas in exploiting the emerging opportunities or attending to the impending problems;

(iv) Has the conviction to convince others of one’s ideas and seek their commitment towards the project;

(v) Has the courage of heart to withstand adversities, persist despite setbacks and be generally optimistic.

## RELATIONSHIP BETWEEN ENTREPRENEURSHIP AND MANAGEMENT

Entrepreneurship	Management
Business start-up	Ongoing operations of an existing business
The entrepreneur does not feel constrained by resource, they mobilizes it	A manager is constrained by the resources at his disposal.
Informal	Formal
Achievement	Power
Owner	Employee
Profit	Salary
Challenges the status quo that is the existing	Maintains the status quo
Risk taker	Risk averse
Driven by inductive logic	Driven by deductive logic and research
Small business	Large business
Opportunity spotting, initiative, resource negotiation	Organising system designs and operating procedures, people management
Has to know and do all trade by himself	Specialist

## FUNCTIONS OF ENTREPRENEURS IN RELATION TO ECONOMIC DEVELOPMENT

**1. Contribution to GDP:** entrepreneurs generate income through organisation of production, be it agriculture, manufacturing or services. Biggest contribution of the entrepreneurship lies in capital formation and generation of employment, which in turn contribute to the GDP of a country.

**2. Capital Formation:** It is an investment decision, which increases the productive capacity of the economy and hence results in capital formation.

**3. Generation of Employment:** Every business is a source of employment to people with different abilities, skills and qualifications.

**4. Generation of Business Opportunities for Others:** Every new business creates opportunities for the suppliers of inputs (this is referred to as backward linkages) and the marketers of the output (what is referred to as forward linkages) in an economy.

**5. Improvement in Economic Efficiency:** Entrepreneurs improve economic efficiency by,

- a. Improving processes, reducing wastes, increasing yield
- b. Bringing about technical progress, that is, by altering labour-capital ratios.

**6. Increasing the Spectrum and Scope of Economic Activities:** Entrepreneurs through their prudent decisions to divest from the weak sectors and invest in robust sectors, which will bring about a virtual transformation of the economy from 'underdeveloped' to an 'emerging' and 'developed' status for a country.

**7. Impact on Local Communities:** That small-scale entrepreneurship enables marginalised groups as women, SC, ST and OBC to pursue their economic dreams.

**8. Fostering the Spirit of Exploration, Experimentation and Daring:** Entrepreneurs, through their urge to do something new, try to exploit opportunity, experimenting with the novel ideas and by showing the courage to try them prepare a fertile ground for persistent economic development.

**Roles and Functions of the Entrepreneur in relation the Enterprise**

**Developing Exchange Relationships**

1. Perceiving market opportunities
2. Gaining command over scarce resources
3. Purchasing inputs
4. Marketing of Products and responding to competition

**Political Administration**

5. Dealing with public bureaucracy (approvals, concessions, taxes)
6. Managing human relations within the firm
7. Managing customer and supplier relations.

**Management Control**

8. Managing finance
9. Managing production

**Technology**

10. Acquiring and overseeing assembly of the factory
11. Industrial engineering (minimising inputs with a given production process)
12. Upgrading the production process and product quality
13. Introducing new production techniques and products.



### **A brief description of the various issues**

**Opportunity Scouting:** Entrepreneurial opportunities have to be actively searched for. It may be identified through a process of research of international, domestic, sectoral/ industrial analysis.

**Identification of Specific Product Offering:** While the environment scan leads to the discovery of more business opportunities, there is a need to choose a specific product or service idea.

**Feasibility Analysis:** The product offering idea must be technically feasible, that is it should be possible with the available technology to convert the idea into a reality. And the cost should be less than the returns.

## **THE PROCESS OF ENTREPRENEURSHIP DEVELOPMENT**

### **STARTUP INDIA SCHEME**

The Startup India Scheme is an initiative of the Government of India with an objective to carve a strong ecosystem for nurturing innovation and startups in the country.

The scheme specifically aims to

1. Start an entrepreneurial culture
2. Create awareness about the charms of being an entrepreneur
3. Encourage more dynamic startups by motivating educated youth, Scientists etc.
4. Support the early phase of entrepreneurship development
5. Broad base, the entrepreneurial supply by meeting specific needs of under represented target groups.

**As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a startup means:**

1. An entity incorporated or registered in India.
2. Not older than five years.
3. Annual turnover does not exceed Rs. 25 crore in any preceding year.
4. Working towards innovation, development or commercialization of products /service / processes driven by technology or IPRs and patent.

### **STARTUP INDIA INITIATIVE: ACTION POINTS**

- 1. Simplification and Handholding:** friendly and flexible, simplifications are announced for the compliance of start ups.
- 2. Startup India Hub:** The objective is to create a single point of contact for the entire startup
- 3. Legal support and Fasttracking Patent Examination:** SIPP is envisaged to facilitate protection of patents, trademarks and designs of innovative and interested startups.
- 4. Easy exit:** In case of business failure and wind up of operations, procedures are being adopted to reallocate capital
- 5. Harnessing private sector for incubator setup:** The government is setting up incubators across the country in PPP mode.
- 6. Tax exemption:** Exemption of tax on profits is for a period of 3 years.

### **Ways to fund startup**

- 1. Boot Strapping:** Commonly known as self financing through personal savings and other sources.

**2. Crowdfunding:** It is the pooling of resources by a group of people for achieving a common goal.

**3. Angel Investment:** Angel investors are individuals with surplus cash who have keen interest in investing in upcoming startups.

**4. Venture capital:** There are professionally managed funds, which are invested in companies with huge potential.

**5. Business Incubators and Accelerators:** Early stage business can consider incubator and accelerator programmes as a funding option.

**6. Microfinance and NFBCs:** Micro finance is providing access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan.

## **INTELLECTUAL PROPERTY RIGHTS (IPR)**

- All inventions of creations begin with an ‘idea’. Once the idea becomes an actual product, i.e., Intellectual Property, one can apply to the authority.
- Intellectual property (IP) refers to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business.
- Intellectual property is divided into two broad categories: industrial property, which includes inventions (patents), trademarks, industrial designs and geographical indications, while the other is copyrights, which includes literary and artistic works, such as novels Etc.

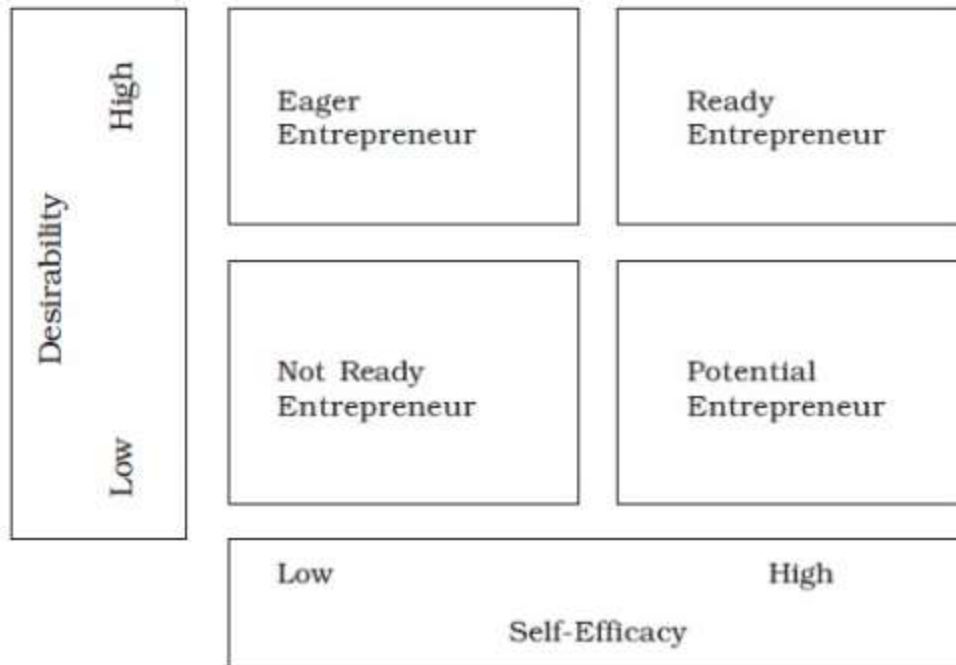
## **WHY IS IPR IMPORTANT?**

- i. It encourages creation of new, pathbreaking inventions, such as cancer cure medicines.
- ii. It incentivises inventors, authors, creators, etc., for their work.
- iii. It allows the work created by a person to be distributed and communicated to the public only with his/her permission.
- iv. It helps authors, creators, developers and owners to get recognition for their works.

## **ENTREPRENEURIAL COMPETENCIES**

The term ‘competence’ refers to a composite of knowledge, skills and a host of psychosocial attributes in a person that mark their effectiveness for a task.





**Efficacy-Desirability Matrix**

**EDI has identified a set of 15 competencies that contribute toward entrepreneurial performance and success.**

1. Initiative
2. Sees and Acts on Opportunities
3. Persistence: A 'never say die' attitude,
4. Information seeking
5. Concern for High Quality of Work
6. Commitment to Work Contract
7. Efficiency Orientation
8. Systematic Planning
9. Problem-solving
10. Self-confidence
11. Assertiveness
12. Persuasion
13. Use of Influence Strategies
14. Monitoring
15. Concern for Employee Welfare

## **ENTREPRENEURIAL MOTIVATION**

**Need for Achievement (N-Ach.):** Need for achievement implies a desire to accomplish something difficult.

**Need for Power (N-Pow):** Need for Power is the concern for influencing people or the behaviour of others for moving in a predetermined direction and attaining the envisioned objectives.

**Need for Affiliation (N-Aff.):** Entrepreneurs are low on affiliation, as they are and expected to be, innovative, trendsetters and tradition breakers.

**Need for Autonomy (N-Aut.):** The need for autonomy is a desire for independence and being responsible and accountable to oneself rather than some external authority for performance.

## **ENTREPRENEURIAL VALUES AND ATTITUDES**

Entrepreneurial values and attitudes refer to the behavioural choices individuals make for success of a business enterprise.