

## Chapter- 11

### Entrepreneurship: An Introduction, Nature, Importance & Problems

Entrepreneur has an important contribution in the economic development of any country. The resources of the country are best utilized by the entrepreneur. Entrepreneurs take the risk of using the resources of the country and complete the task of new creation. At present, entrepreneurs are emerging as a source of inspiration for young people. Today's youth consider entrepreneurs like Bill Gates, Mukesh Ambani, Mark Zuckerberg, Narayana Murthy, Kumar Mangalam Birla as their ideal, and this is the reason that in the survey conducted by the Opinion Research Council of the United States, young people between the age group of 18 to 24 years Of them, 58 percent expressed their desire to start their business.

The emergence of entrepreneurship took place with humans taking risks of business and facing uncertainty. Look at the history of the last 150-200 years, there have been many entrepreneurs who have attracted the attention of the world. Entrepreneurship has become very important in the present age. Today, the world acknowledges the importance of entrepreneurship that the economic advancement of any nation is dependent on entrepreneurship. Today, governments of different countries urge their entrepreneurs to respect, control and urge them to invest, the same fact explains the importance of entrepreneurship.

Economic development of any nation is affected by the availability of various means of production, technical knowledge, market conditions, etc. But due to increasing competition, innovation and risk in the business sector, entrepreneurship has a

special contribution in national development. Survey of an organization named Ernest and Young confirms this fact. A survey conducted by this institution found that 78 percent of influential people believe that Entrepreneurship will determine the trend of the century.

The development of entrepreneurship is happening at very fast in our country. In the world, our country is second in the Entrepreneurship Development Index. It is a sign that Indian youth is now interested in setting up a business of their own. There are adequate infrastructures available for the development of entrepreneurship in our country, exemptions and concessions are provided in Government policy and control for the entrepreneurship development. 'Tax-free' schemes are being set up for new ventures, facilities for teaching-training are being developed, technological changes are being implemented, in such a scenario, there is strong potential for the development of entrepreneurship.

#### Meaning and Definitions of Entrepreneurship

Entrepreneurship is defined by various scholars with various meanings and attitudes. Some scholars have defined it as adjectives and some have clarified it as verb. In general, entrepreneurship is the plan and the courage to bear the risk and face the uncertainties.

In the modern times, the field of entrepreneurship has expanded, in fact, the establishment of new ventures, its direction and control, change in the enterprise and creativity, the ability to take risks of

corrective action is called entrepreneurship. Those who have these qualifications are known as entrepreneurs or adventurers.

### **Definitions Related To Establishing Business and Enterprise:**

According to Prof. Musselman and Jackson: "Entrepreneurship is the investing and risking of time, money and effort to start a business and make it successful."

According to Prof. Udai Pareek & Manohar Nadkarni: "Entrepreneurship refers to the general trend of setting up new enterprises in a society."

### **Definitions related to functions and activities:**

In the words of Joseph A. Schumpeter: "Entrepreneurship is an innovative function. It is leadership rather than ownership."

According to Peter Kilby: "Entrepreneurship involves a wide range of activities which includes acquiring knowledge of market opportunities, adjusting and managing the means of production, adoption of production, technology and commodities.

### **Definitions related to organization of combination:**

According to Howard Johnson: "Entrepreneurship is the composite of three basic elements- inventions, innovation and adaptation."

According to Franklin Lindsay: "Entrepreneurship is the anticipating the future requirements of society and successfully meeting these needs with new, creative and imaginative combinations of resources."

### **Definitions related to decision-making:**

According to H.N. Pathak: "Entrepreneurship involves a wide range of areas on which series of

decisions are required, which can be broadly grouped into categories, viz relating to (1) Acquiring knowledge of an opportunity, (2) organizing an industrial unit, and (3) running the industrial unit as a profitable, going and growing concern."

### **Definitions related to Innovation:**

#### **According to Robbins & Coulter:**

"Entrepreneurship is the process where individual or group of individuals risk time and money in pursuit of opportunities to create value and go through innovation regardless of the resources they currently control."

#### **According to Prof. Rao & Mehta:**

"Entrepreneurship can be described as creative and innovation response to the environment."

*In essence, entrepreneurship is the process in which entrepreneur creates creative innovation by exploring opportunities, raises the risks of social innovation and the business to be dynamic, in which the entrepreneur establishes and operates new business organizations and courage to offers a new product or service.*

### **Characteristics/Nature of Entrepreneurship**

After studying the meaning of entrepreneurship and definition, the following key features of entrepreneurship are found:

**1. Innovation:** At present, Entrepreneurship is not the only act of performing traditional tasks, but it involves innovative technology, innovative products or any other kind of innovation. Only when the entrepreneur adopts innovation in his business, it is justified to put him in the category of entrepreneur. Peter Drucker has written "Innovation is a specialty of entrepreneurship".

**2. Creative Activity:** By entrepreneurship through

entrepreneur, the use of utilities and the location, colour, form of the object or service is made more useful to the society. According to the Hisrich & Peters, "Entrepreneurship is a process of proving utility." Entrepreneurship helps in transforming useless things into useful things by transforming the utility goods into creative work. Peter F Drucker explains that "Entrepreneurship can turn a heap of soil into gold."

**3. Risk Bearing:** Entrepreneurship is synonymous with risk taking ability. An entrepreneur raises the risk by establishing and operating a new venture, presenting innovative production in the market, investing his wealth, time, and hard work to determine pricing between the market's uncertainties. An entrepreneur values □□are always surrounded by high trends, changes in customer's interests, competition, changing government policies etc. It not only carries the financial risk but also the mental risk.

**4. A Process of Searching Opportunity:** Entrepreneurship is the process of finding opportunities. An entrepreneur seeks entrepreneurial opportunities and executes the problems of individuals in their needs and aspirations, social and technological changes, competition etc. As there is no small hotel or restaurant for eating an industrial area, entrepreneur opens a new Tiffin centre to find new opportunities in the problem of individuals.

**5. Establishment and Operation of Enterprises:** Entrepreneurship is the business mainstream. It inspires individuals to establish new businesses and successfully operate it. Entrepreneurship can only be established by establishing innovative ventures in society. It is impossible to create new industrial units in the absence of this.

**6. It is the result of high achievement/ ambition:** Entrepreneurship is the result of high achievement aspiration. Entrepreneurs always look forward to hard work and struggle to fulfill the ambition of their achievement. They want to achieve their goal anyhow. Galerman has written that " Entrepreneurs are devoted to the goal of higher achievements and are not satisfied without receiving them. "

**7. Based on principles, not on Intuition:** Entrepreneurship is based on principles. It is not based on the intuition of a person. Entrepreneurship is based on the principles of business science, economics, psychology, law, sociology, management.

**8. Professional Activity :** Entrepreneurship in the present age is a professional and earned qualification. If a person wants to achieve this qualification, then he can acquire qualifications by getting education training in various teaching training institutes. Not only that, various government organizations are currently operating programs and schemes to develop and awaken the entrepreneurship trend.

**9. It is result of different changes:** Entrepreneurship is the result of a change in the rapid pace of social, economic, political, technical, government policies and regulations. There has been changes in the thoughts and attitudes of individuals due to the changes and development of entrepreneurship.

**10. Entrepreneurship is a practice:** Entrepreneurship is done by the entrepreneur and not the character of his personality. The more entrepreneur will bear the risk of his behavior, innovate, innovation, the more intense he becomes the big entrepreneur. The management expert

Drucker has written that "Entrepreneurship is neither science nor art, it is behavior."

### **11. Essential in all type of Business:**

Entrepreneurship is essential in all types of business. Whether the business is small or big, related to the manufacturing process or the marketing process, operating in a developing economy or operating in a developed economy, entrepreneurship is necessary everywhere.

**12. Essential in all activities :** Entrepreneurship is not necessary only in economic activities, but it is necessary in every action. In addition to the economic sector, in the area where there is no courage, decision to take risks or to make a choice, there is a great need for entrepreneurship.

**13. Different types of Entrepreneurship:** The economic, social, political, legal status of each and every society is different and the viewpoint of the people of that society is also different. In such a situation, differences are found in the types of entrepreneurship. It can be known by personal entrepreneurship, centralized entrepreneurship, decentralized entrepreneurship, small entrepreneurship, major entrepreneurship, traditional entrepreneurship, innovative entrepreneurship etc.

In addition to the above main features, according to the experts, attributes of entrepreneurship are included that entrepreneurship is based on knowledge and accomplish the action of personality creation.

## **Importance Of Entrepreneurship**

Entrepreneurship is the pillar of economic and industrial progress of any country. This is a reflection of the economic and industrial development of the country. Entrepreneurship

plays an important role in all the situations, whether the economy of any nation is developing or developed, whether the ideology of that nation is capitalist or communist or socialist, whether the leadership of that nation is republican or monarchy or authoritarian. It also does not conform to the life of an individual, but provides a developmental direction to the entire economy. For this reason, Yale Bojan has said that, "entrepreneurship is an integral part of economic development."

Entrepreneurs use natural resources and human resources available in any nation efficiently and pave the way for the economic progress of the residents there. He works by doing innovative ventures, searching for new markets, presenting innovative products, and fulfilling desires of the people. Increase the quality of life of the people. Dolinger has just written that "Survival of new businesses in modern market-based economies is the key to technological and economic development. Through entrepreneurship, people will continue to live better, longevity and more prosperous lives."

Eminent economist Marshal, while highlighting the importance of entrepreneurship, writes that "Entrepreneur is the business captain. It is not only a carrier of risk and uncertainty, but a manager, a visionary, the inventor of new product methods and the economic structurer of the country. Based on the above explanation, the importance of entrepreneurship can be explained by the following points-

### **1. Basis of Economic Development of Nation**

Entrepreneurship helps in fast and balanced development of the country. Entrepreneurship is not only the basis of business activities but by generating employment opportunities in the



country, it increases the national income by utilizing the resources, thereby strengthening the capital formation and the rapid development of the country.

## **2. Helps in Establishing new enterprises**

Innovative industries are established by the entrepreneur. Entrepreneurs also establish new industrial units in the risky areas by arranging necessary resources. Many enterprises have been set up by various industrial houses in the country and inspired by these, new entrepreneurs are also setting up industries of new products by making many decisions. "Tata, Birla, Ambani, Dalmiya have consistently established innovative ventures in the country and are doing so on continuous basis.

## **3. Contribution in Development & Expansion of Existing Enterprises**

Entrepreneurship also plays an important role in the successful operation and development of existing undertakings. Due to entrepreneurship, new products are manufactured, new product methods and techniques are invented, new markets are invented, so that the existing units remain in the market for a long time and they continue to grow and expand. In the words of Peter F. Drucker, "Entrepreneurship plays an important role in the development of business, innovation and expansion".

## **4. Helps in developing new Products and Techniques**

Due to entrepreneurship, it is possible to develop new products and innovative techniques. The availability of various products coming in human life has been possible due to entrepreneurship. Similarly, innovative techniques are developed by improving and transforming the existing production methods from entrepreneurship.

## **5. Opportunity to Exploit full human potentiality**

In entrepreneurship the entrepreneur establishes his own venture and makes full use of his potential to make him successful. He works with his full physical, mental and intellectual capacity to develop and expand his business. Thus, the usefulness of human ability from entrepreneurship is possible.

## **6. Creation of Employment Opportunity**

Due to entrepreneurship new jobs are created in the country. An entrepreneur establishes a new equipment, produces and distributes new goods and services, this creates a job opportunity automatically. In the words of Ribson, "entrepreneur creates job opportunities in the developing world".

## **7. Promotes Capital Formation**

As a result of Entrepreneurship, an entrepreneur develops and expands innovative ventures and develops existing industries. For this, he utilizes the capital of public and his public through debentures. Generating an investment trend encourages savings and promotes capital formation. According to Raza Naskat "Only entrepreneurship in developing countries can play a key role in breaking the impregnable fortress of capital and can accelerate economic powers in capital formation"

## **8. Balanced Economic Development**

Professor Nurkse has written clearly that "entrepreneurs pave the way for balanced economic development." Enterprises can be established in every corner of the country by the development of entrepreneurship. In areas which are less developed, balanced economic development can be done by developing

differentiated areas by providing various types of concessional discounts to entrepreneurs.

### **9. Helps in execution of Government Policies and Plans**

Through entrepreneurship there is not only implementation of industrial policy, but it also plays an important role in implementing other schemes and policies made for the development of the country. Entrepreneurship provide participation in various public welfare schemes run by the Central and State Governments and assist in their implementation.

### **10. Helps in Social Change**

Entrepreneurship helps in eradicating superstition, conservatism and mischief by spreading the evidence of scientific research by awakening the education and awakening in the society. Similarly, Entrepreneurship increases the income of individuals by providing employment. As a result, their level of living increases, resulting in easy positive change in society.

### **11. Encourage to Research and Investigation)**

Entrepreneurship emphasizes innovation and innovation can be related to product, technology or market. Continuous research and investigation work is done to maintain innovation and at the present time, different departments have also been started in the undertakings. The main task of research and investigation department is to adopt a scientific approach and to innovate.

## **Traits/ Qualities of Entrepreneur**

The success of any entrepreneur depends on personality and behavior. An entrepreneur has to do different things from the establishment of business to the service after the sale. There are many qualities needed for accomplishing and execution

of these different functions. This idea of Emerson is 100% true that "Business is a game of tact, which every person cannot play." If an entrepreneur has to reach to success, he must have the tact and skill of various types. Entrepreneur has an inclusion of normal individual qualities as well as of professional knowledge and decision making ability, creativity, managerial and administrative capacity.

## **Qualities of a Successful Entrepreneur**

The scholars are not unanimous about the qualities of a successful entrepreneur. Many managers and economists have described the attributes of the entrepreneur. According to various scholars, a successful entrepreneur should have the following qualities:

### **(a) According to McClelland, the following qualities are found in successful entrepreneurs:**

- i. Extraordinary creativity
- ii. The ability to bear the risk and
- iii. Aspiration to achieve success.

### **(B) According to the famous economist J.B. Say, the entrepreneur should have the following qualities:**

- i. Decision ability
- ii. Firm determination
- iii. Business knowledge and
- iv. Supervision and administrative capacity

### **(C) James Burna has considered these qualities in the entrepreneur**

- i. Organizational and administrative qualifications
- ii. Technical and business knowledge
- iii. Awareness of opportunities
- iv. Interest in accepting changes and
- v. Psychological ability to take risk.

**(d) According to Hornaday and Aboud-**

- i. Risk taking ability
- ii. The ability to combine resources
- iii. Structural and administrative qualifications
- iv. The temptation to discover new opportunities and
- v. Interest in changes

**(E)** In the vision of A.C. Bredford, an entrepreneur should have the following qualities:

- i. Knowledge of basic principles
- ii. Co-ordination and cooperation among business groups
- iii. Human approach and training
- iv. Human Resource Selection and Training Ability
- v. Attitudes driven by the ideal of service

After studying the views and suggestions of various scholars, the properties of an entrepreneur can be divided into three parts:

- i. Physical and Mental qualities
- ii. Social and Moral Qualities
- iii. Professional Qualities

**I. Physical and Mental Qualities:**

**1. Sound Health and Stamina-**

Entrepreneur's health should be good. Someone just wrote that healthy body is home to a healthy brain. Good health is a very important element of personality. A person with a healthy body moves forward towards achieving its objective with its full potential. People with weak health are often unable to take risks and do innovation, so the health of the entrepreneur should be good. Not only this, the work force of the entrepreneur should also be good. Only after having the strength to work in it, he will be able to accomplish his work with complete emotions and

enthusiasm otherwise he will feel tiredness, annoyance etc. and will not be able to do his work skilfully.

**2. Hardworking-**

In Indian philosophy, it has been said *that* “*Udhmen he sidhyanti karayani manorath*” (“उद्यमेन हि सिध्यानि कार्याणि मनोरथ”). An entrepreneur must work hard to succeed. Entrepreneurs should be positive towards karma. The person who stole from work, success never comes near him. It has been said that "Diligence is the key to success" There is no substitute for hard work to keep yourself in the market in the current competitive era.

**3. Imaginative-**

It is also imperative to have the imagination power in the entrepreneur. From the establishment of the enterprise to its operation, the entrepreneur has to take various innovations which are possible only when he is imaginative. The fantasies should not be merely complete fantasies, but it should be close to reality. In *the words of* Arther Alpus “The ambition of a person is fulfilled only if he/she is a Karmaveer. Only by imagining, a person cannot accomplish his ambitions.

**4. Sharp Intelligence & Memory-**

Entrepreneurs should be rich in sharp intelligence. Only after having a strong intellect, the accuracy and promptness can be achieved in the decision. On completion of different types of tasks in a judicious manner, the venture is dynamic on the path of progress and development. Similarly, entrepreneur should have memory power. The execution of when, where and what to do etc. becomes easy when it comes to acute memory.

### **5. Self Confidence-**

"Confidence is the mother of success." This expression seems true in the context of the entrepreneur. Many inaccessible and difficult works can be accomplished easily with the help of self-confidence, while in the absence of it, normal work cannot be accomplished. An entrepreneur faces many situations for achieving the goal, the role of confidence is important in combating these different types of situations.

### **6. Optimist-**

It is very essential for an entrepreneur to be optimistic as he constantly faces uncertainty and risk. Keeping the original mantra of "success is hidden in failure", the entrepreneur should not be discouraged from the failure, but should be quick to reach the target with passion and enthusiasm. Stevenson has written exactly that "The conditions of success are easy; we have to do some hard work, bear some, have faith and never have to turn back.

### **7. Foresightedness-**

The entrepreneur has to make a decision on the basis of the future, and therefore he should be visionary. By fostering customers' future interest, government policy, competition, market prospects etc., an entrepreneur can develop and expand his or her enterprise.

### **8. Effective Personality-**

Entrepreneur's personality should be effective and attractive. For effective personality, the entrepreneur must be serious, gentle, patient and serene. Cheerful nature, happy expressions, sweet dialogue, gesture and dress, etc. enhance personality.

### **9. Capacity to take Decisions-**

A successful entrepreneur should have an extraordinary decision-making ability.

Entrepreneurs should be able to make decisions as quickly as possible. An entrepreneur needs to make decisions while keeping existing and future situations in to consideration to solve any problem and the right decision taken at the right time opens the door to success for the entrepreneur.

**II .Social & Moral Qualities-** Social and moral qualities also have an important place in the success of an entrepreneur. A successful entrepreneur should have the following social and moral qualities:

#### **1. Sociable**

Entrepreneur's sociable nature also has a great contribution in his success. The entrepreneur should have a friendly conversation with everyone. He should be very humble with every person who comes in contact with him and should create mutual affection. Due to sociable nature of him, people's confidence in the entrepreneur is increased. So entrepreneurs should be friendly.

#### **2. Cooperative**

Entrepreneurs should be affiliated to all sections. It should also be cooperative and harmonious with business owners, employees, creditors, suppliers, customers and even their competitors. Entrepreneurs should have the ability to compromise and accept their mistakes and faults.

#### **3. Politeness**

An entrepreneur should be polite. It has been said that "Humility does not seem to be of value, one can get too much from it." Happiness increases the popularity of the entrepreneur. Humility does not mean that it should act against its reputation and selfrespect.

#### **4. Sound Character**

The character of an entrepreneur should be clear.

Renowned entrepreneurs leave their mark on the people who come in contact with their work and behavior and make them their own. It has been said in relation to the character that if "the character is lost, then everything is lost." According to Prof. Hownice, The character person puts his mind in his people, through his eyes, through his gestures, through his speech, by his own words and by his statements and facts.

### **5. Honesty**

Entrepreneurs should be honest. Fraud and wrong entrepreneurs can succeed for a short time, but for long-term success, it is necessary to have faithfully implement business activities. The entrepreneur should determine and follow their policies and plans based on "Integrity is the best policy".

### **6. Loyal**

An entrepreneur should be loyal to his colleagues, clients, suppliers, government etc. not only in general but also in special and crisis situations. The entrepreneurs should not tamper with their loyalties of different classes by adopting such schemes as black money, artificial shortage of items, profiteering and black-marketing.

### **7. Humanity**

An entrepreneur should take a humanitarian approach to the employees working in the venture. He should treat his employees and subordinates with affection, warmth, love and sympathy. The building of pleasant relations with the staff is less labor turnover, thereby increasing the stay of experienced and qualified employees and increases the spirit of honor, value and respect towards the entrepreneur.

### **8. Likable Disposition**

Entrepreneur's temperament should be sound. An entrepreneur who possesses qualities such as

humility, behavior, virtue, etc. attains success in business. A person with an amiable nature has the ability to make his opponents even themselves.

### **9. Respectful**

A successful entrepreneur should have the qualities of respect. Everyone who comes in contact with him be it small, poor, rich, educated and uneducated, he should respect them, because, it has also been said that "respect does not come from seeking, but respecting others."

### **10. Professional or Business Qualities**

For the success of an entrepreneur, it is necessary to have business qualities in it because business qualities directly affect the success of the entrepreneur. Henry P. Dutton has written rightly - "The person who once acquired the knowledge of the business's work, financial management, accounting and who has understood the basic principles of leading and working with the colleagues, employees, he will soon be able to acquire skills and success in business." The following business qualities are expected in a successful entrepreneur.

## **EXERCISE**

### **Very Short Type Questions-**

1. What do you mean by entrepreneurship?
2. Quote any one definition of entrepreneur?
3. Who is an 'Entrepreneur'?
4. Give the meaning of risk.
5. Define the term 'Innovation.'

### **Short Type Questions-**

1. Explain the concept of entrepreneurship.
2. Enlist the characteristics of entrepreneurship.
3. Elucidate any five traits of a successful entrepreneur.



4. Explain the physical and mental qualities expected in an entrepreneur.
5. Explain the social qualities of an entrepreneur.
6. State the professional traits of an entrepreneur.

### **Essay Type Question-**

- Q1.** What do you mean by entrepreneurship?  
Explain its features.
- Q2.** Explain the role and importance of entrepreneurship.
- Q3.** Discuss the required qualities of successful entrepreneur.