

KUNTHAVAI NAACHIYAR GOVERNMENT ARTS COLLEGE FOR WOMEN (A) THANJAVUR-7
DEPARTMENT OF BUSINESS ADMINISTRATION

Code: 18K5BBELBB1 - ENTREPRENEURIAL DEVELOPMENT

UNIT – I

Meaning of entrepreneur –Characteristics of Entrepreneur-Distinction between entrepreneur and manager -Functions of Entrepreneur-Types of Entrepreneur. Intrapreneur. Qualities of a successful entrepreneur. Factors affecting entrepreneurial growth.

Meaning of entrepreneur:

An **entrepreneur** is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. ... **Entrepreneurs** who prove to be successful in taking on the risks of a startup are rewarded with profits, fame, and continued growth opportunities.

Qualities of a successful entrepreneur:

1. Disciplined:

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence:

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded:

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self Starter:

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive:

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

6. Creativity:

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Determination:

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

8. Strong people skills:

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

Source: Entrepreneurial Development – Dr.S.S.Khanka



9. **Strong work ethic:**

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

10. **Passion:**

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.



1.2 CHARACTERISTICS OF AN ENTREPRENEUR

If we go through the business history of India, we come across the names of persons who have emerged as successful entrepreneurs. For example, Tata, Birla, Modi, Dalmia, Kirlosker and others are well-known names of successful entrepreneurs in the country who started their business enterprises with small size and made good fortunes. Success or otherwise of a small enterprise is, to a great extent, attributed to the success or otherwise of the entrepreneur himself/herself. Then, the question is: What makes the entrepreneurs successful? Whether they had anything common in their personal characteristics? The scanning of their personal characteristics shows that there are certain characteristics of entrepreneurs which are found usually prominent in them. The principal ones are scanned and discussed here:

1. **Hard Work:** Willingness to work hard distinguishes a successful entrepreneur from unsuccessful one. The entrepreneur with his tedious, sweat-filled hours and perseverance revive their business even from on verge of failure. In nutshell, most of the successful entrepreneurs work hard endlessly, especially in the beginning and the same becomes their whole life.

2. **Desire for High Achievement:** The entrepreneurs have a strong desire to achieve high goals in business. This high achievement motive strengthened them to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients⁷ and only set up and run a successful business.

3. **Highly Optimistic:** The successful entrepreneurs are not disturbed by the present problems faced by them. They are optimistic for future that the situations will become favourable to business in future. Thus, they can run their enterprises successfully in future.

4. **Independence:** One of the common characteristics of the successful entrepreneurs has been that they do not like to be guided by others and to follow their routine. They resist to be pigeonholed. They liked to be independent in the matters of their business.

5. **Foresight:** The entrepreneurs have a good foresight to know about future business environment. In other words, they well visualise the likely changes to take place in market, consumer attitude, technological developments, etc. and take timely actions accordingly.

7. D.C., McClelland, *The Achieving Society*, The Free Press, New York, 1961.

- 6. **Good Organiser:** Different resources required for production are divorced from each other. It is the ability of the entrepreneurs that brings together all resources required for starting up an enterprise and then to produce goods.
- 7. **Innovative:** Production is meant to meet the customers' requirements. In view of the changing taste of customers from time to time, the entrepreneurs initiate research and innovative activities to produce goods to satisfy the customers' changing demands for the products. The research institutes/centres established by Tata, Birla, Kirloskar, etc. are examples of the innovative activities taken by the successful entrepreneurs in our country.

1.3 DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER

Sometimes, the two terms, namely, an entrepreneur and a manager are considered as synonym, i.e., meaning the same. In fact, the two terms are two economic concepts meaning two different meanings. The major points of distinction between the two are presented in following Table 1.1.

TABLE 1.1: Difference between an Entrepreneur and a Manager

Points	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification.	But, the main motive of a manager is to render his services in an enterprise already set up by someone else.
2. Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur
3. Risk-bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise.
4. Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
5. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change-agent'.	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
6. Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

After going through the above points of distinctions, it is clear that an entrepreneur differs from a manager. At times, an entrepreneur can be a manager also, but a manager cannot be an entrepreneur. After all, an entrepreneur is a owner, but a manager is a servant.

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idea upto the establishment of an enterprise. These can be listed in the following sequential manner:

- Idea generation and scanning of the best suitable idea.
- Determination of the business objectives.
- Product analysis and market research
- Determination of form of ownership/organisation.
- Completion of promotional formalities.
- Raising necessary funds.
- Procuring machine and material.
- Recruitment of men.
- Undertaking the business operations.

Kilby⁸ has enumerated about 13 functions of an entrepreneur. While others can also add certain more functions to this list, the said functions appear to be major ones. For our convenience, we have classified all the entrepreneurial functions into three broad categories:

1. Risk-bearing
2. Organisation
3. Innovation

We have already discussed these functions in the beginning of the chapter under Section 1.1 while elucidating the concept of entrepreneur. Therefore, their discussion has been avoided here for the sake of repetition.

1.5 TYPES OF ENTREPRENEURS

Clarence Danhof⁹, on the basis of his study of the American Agriculture, classified entrepreneurs in the manner that at the initial stage of economic development, entrepreneurs have less initiative and drive and as economic development proceeds, they become more innovating and enthusiastic. Basing on this, he classified entrepreneurs into four types. These are discussed in seriatim.

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

2. **Imitative Entrepreneurs:** These are characterised by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. Such types of entrepreneurs are particularly suitable for the under-developed regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed regions.

3. **Fabian Entrepreneurs:** Fabian entrepreneurs are characterised by very great caution and skepticism in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

4. **Drone Entrepreneurs:** These are characterised by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns

relative to other like producers. Such entrepreneurs may even suffer from losses but they are not ready to make changes in their existing production methods.

Following are some more types of entrepreneurs listed by some other behavioural scientists:

1. Solo Operators: These are the entrepreneurs who essentially work alone and, if needed at all, employ a few employees. In the beginning, most of the entrepreneurs start their enterprises like them.

Active Partners: Active partners are those entrepreneurs who start/carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business. Entrepreneurs who only contribute funds to the enterprise but do not actively participate in business activity are called simply 'partners'.

Inventors: Such entrepreneurs with their competence and inventiveness invent new products. Their basic interest lies in research and innovative activities.

Challengers: These are the entrepreneurs who plunge into industry because of the challenges it presents. When one challenge seems to be met, they begin to look for new challenges.

Buyers: These are those entrepreneurs who do not like to bear much risk. Hence, in order to reduce risk involved in setting up a new enterprise, they like to buy the ongoing one.

Lifetimers: These entrepreneurs take business as an integral part to their life. Usually, the family enterprise and businesses which mainly depend on exercise of personal skill fall in this type/category of entrepreneurs.

1.6 INTRAPRENEUR

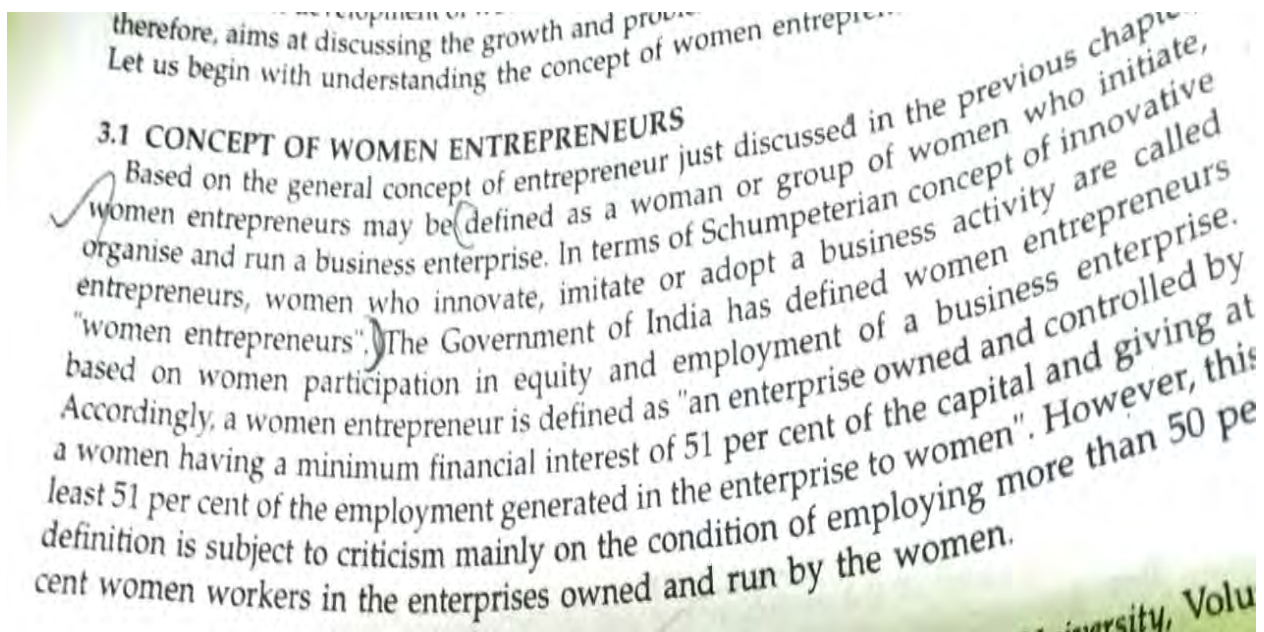
Of late, a new breed of entrepreneurs is coming to the fore in large industrial organisations. They are called 'intrapreneurs'. They emerge from within the confines of an existing enterprise. In big organisations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organisation. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs is leaving their jobs in big organisations and is starting own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organisations they left. Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products. Having understood the meanings of entrepreneur and intrapreneur, now the two can easily be distinguished from each other on the following bases:

Differences

UNIT – II

Women Entrepreneurs – Functions of women entrepreneurs-Problems faced by women entrepreneurs. Rural Entrepreneurship-Problems in Rural Entrepreneurship.

Entrepreneurial development agencies – DIC, TIIC, SISI, IDBI



1.1 MEANING OF RURAL ENTREPRENEURSHIP

Like entrepreneurship, rural entrepreneurship also conjures different meanings to different people. Without going into semantics, rural entrepreneurship can simply be defined as entrepreneurship emerging in rural areas is rural entrepreneurship. In other words, establishing industrial units in the rural areas refers to rural entrepreneurship. Or say, rural entrepreneurship implies rural industrialisation.

Let us know, for the sake of our knowledge, the meaning of rural industry.

Rural industries are generally associated with agriculture. According to the Khadi and Village Industries Commission (KVIC), "village industry or rural industry means any industry located in rural area, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees."³

The definition of village industry has been recently modified by the government so as to enlarge its scope. Accordingly, any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery is classified as a village industry⁴. As a result of widening of the scope of village industries, 4 new village industries have been added making a total of 101 as against 70 industries earlier.

All the village industries have been grouped into seven major categories as follows:

- (i) Mineral – based industry,
- (ii) Forest – based industry,
- (iii) Agro – based industry,
- (iv) Polymer and chemical – based industry,
- (v) Engineering and non-conventional industry,
- (vi) Textile industry (including khadi), and
- (vii) Service industry.

Having understood the meanings of rural entrepreneurship and rural industry, let us now move on to appreciate the need for and significance of rural entrepreneurship in India.

4.4 PROBLEMS OF RURAL ENTREPRENEURSHIP

Developing entrepreneurship especially rural entrepreneurship is as important is not so easy. It is constrained with several problems. The general bottle-necks in the development of village industries are financial constraints, lack of technical know-how, lack of training and extension services, management problems, lack of quality control, high cost of production due to high input cost, lack of communication and market information, poor quality of raw materials, lack of storage and warehousing facilities, obsolete and primitive technology, and lack of promotional strategy¹⁰.

According to the Ninth Plan¹¹, the major problems faced in developing entrepreneurship in rural areas are (i) inadequate flow of credit, (ii) use of obsolete technology, machinery, and equipment, (iii) poor quality standards, and (iv) inadequate infrastructural facilities.

One of the major problems faced in developing entrepreneurship in rural areas is lack of awareness and knowledge about the importance of developing industries in rural areas. Added to this is disinterest shown by rural people towards assuming the career as an entrepreneur for one reason or other. Rural/village people generally want to take up salaried employment because of assured income, lesser hours of work, lesser degree of responsibility etc. This is supported by the society's higher degree of status accorded to the salaried people than to self-employed ones, or say, entrepreneurs. Further, the rural people are generally not aware about the entrepreneurial opportunities available and also about support organisations and other information required to take the first step in their entrepreneurial career. Even those who are aware about the facilities and support system for starting entrepreneurial career find organisational climate to be not so helpful. Thus, the environment in the family, society and the support system is generally not conducive to encourage the rural people to consider self-employment and entrepreneurial career as an option to salaried employment¹².

Besides, developing rural entrepreneurship faces all those problems that are faced in the development of small-scale industries in the country. The major ones of these problems

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organise and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

3.2 FUNCTIONS OF WOMEN ENTREPRENEURS

As an entrepreneur, a women entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, determination of forms of business organisation, completion of promotional formalities, raising funds, procuring men, machine and materials and operation of business.

Frederick Harbison¹ has enumerated the following five functions of a women entrepreneur:

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and leadership.

The fact remains that, like the definition of the term 'entrepreneur', different scholars have identified different sets of functions performed by an entrepreneur whether man or woman. All these entrepreneurial functions can be classified broadly into three categories:

1. Risk-bearing
2. Organisation
3. Innovations

1. This has been discussed under Section 1.1 of the Chapter 1.

3.4 PROBLEMS OF WOMEN ENTREPRENEURS

Women entrepreneurs encounter two sets of problems, viz., general problems of entrepreneurs and problems specific to women entrepreneurs. These are discussed as follows:

1. **Problem of Finance:** Finance is regarded as "life-blood" for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts. *Firstly*, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited. *Secondly*, the banks also consider women less credit-worthy

and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any, and loans from friends and relatives which are expectedly meagre and negligible. Thus, women enterprises fail due to the shortage of finance.

2. **Scarcity of Raw Material:** Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this is the high prices of raw material, on the one hand, and getting raw material at the minimum of discount, on the other. The failure of many women co-operatives in 1971 engaged in basket-making is an example how the scarcity of raw material sounds the death-knell of enterprises run by women.⁵

3. **Stiff Competition:** Women entrepreneurs do not have organisational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organised sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.

4. **Limited Mobility:** Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials' humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. **Family Ties:** In India, it is mainly a woman's duty to look after the children and other members of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business. Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.

6. **Lack of Education:** In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus, lack of education creates problems for women in the setting up and running of business enterprises.

7. **Male-Dominated Society:** Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as *abla*, i.e. weak in all respects. Women suffer from male reservations about a woman's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. **Low Risk-Bearing Ability:** Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.

In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socio-economic constraints also hold the women back from entering into business.

Entrepreneurial development agencies – DIC, TIIC, SISI, IDBI

DIC - District Industries Centres.

TIIC- Tamil Nadu Industrial Investment Corporation Limited.

SISI - Small Industries Service Institution.

IDBI - Industrial Development Bank of India.

DIC - District Industries Centres:

- To prepare techno economic surveys and identify product lines and then to Provide investment advice to entrepreneurs.
- To prepare an action plan to effectively implement the schemes identified.

To guide entrepreneurs in matter relating to selecting the most appropriate machinery and equipments, Source of its supply and procedure for procuring imported machinery, if needed, assessing requirements for raw material etc.

TIIC - Small Business Loans | Entrepreneur Loan | Tamil Nadu :

TIIC fosters industrial development in Tamil Nadu by providing financial assistance to industries for purchase of land, machinery and construction of buildings.

TIIC through its various schemes provides entrepreneur loans for business in Tamil Nadu. It provides short term business loans to meet your working capital requirements. It also provides small business loans to facilitate MSME industries in the State.

SISI - Small Industries Service Institution:

- To serve as interface between central and state governments.
- To render technical support service.
- To conduct entrepreneurship development Programmes.
- To initiates promotional programmes.
- The SISIs also render assistance in the following areas.
- Economic consultancy\information \EDP consultancy
- Trade and market information.
- Project profiles.
- State industrial potential survey
- District industrial potential survey.
- Modernization and in plant studio.
- Workshop facilities.
- Training in various trade\activity.

IDBI - Industrial Development Bank of India:

- (i) To provide financial assistance to industrial enterprises.
- (ii) To promote institutions engaged in industrial development.
- (iii) To provide technical and administrative assistance for promotion management or expansion of industry.
- (iv) To undertake market and investment research and surveys in connection with development of industry.

