

CONCEPT OF ENTREPRENEURSHIP

The term 'entrepreneurship' is often used synonymously with the term 'entrepreneur' though, they are two sides of the same coin. Conceptually they are different.

Entrepreneurship is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gain. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

Nature & characteristics

(i) Ability to create enterprise: Entrepreneurship is primarily an economic activity because it involves creation and operation of an enterprise. It is basically concerned with satisfying the needs of customers with the help of production and distribution of goods and services.

ii) Organising function: An entrepreneur brings together various factors of production for an economic use. He co-ordinates and controls the factors of production, efforts of all the persons engaged in his enterprise.

iii) Innovation: Entrepreneurship is an automatic, spontaneous and creative response to changes in the environment.

iv) Risk bearing capacity: Risk is an inherent and inseparable element of entrepreneurship. He assumes the uncertainty of future. An entrepreneur guarantees rent to the landlord, wages to employees and interest to the investors in the hope of earning more than the expenses.

v) Managerial and leadership functions: Managerial and leadership qualities predominant orientation is in the direction of productivity, working relation and creative

integration along with desire to make profit. Entrepreneurship demands factual handling of risk and uncertainties because new commodity and its acceptability is uncertain.

(vi) Gap filling: The gap filling b/w human needs and the available products and services leads to Entrepreneurship. An entrepreneur identifies the gap and takes necessary corrective measures to fill the gap, to achieve his action oriented motive in the enterprise as an entrepreneur with the help of entrepreneurship process.

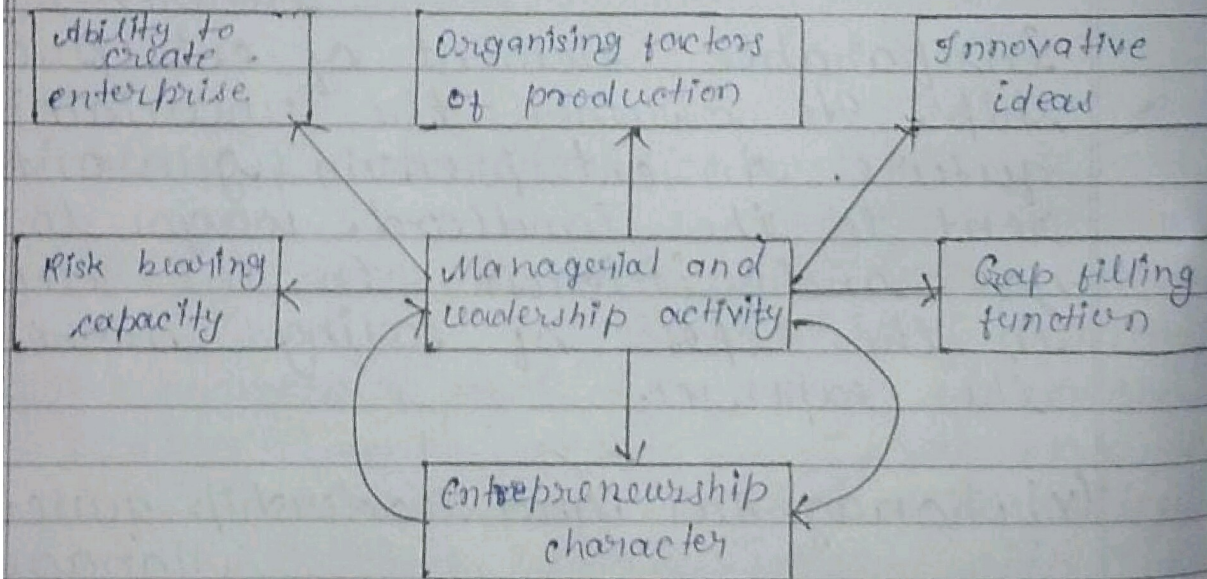


Fig: Characteristics of Entrepreneurship.

Scope of Entrepreneurship

The economic system of a country determines the nature and scope of entrepreneurship.

Entrepreneurship works in different ways in different economic systems such as capitalism, socialism and mixed economy.

Capitalism:

Capitalism: A capitalist economy represents free enterprise, means freedom to save and invest, free competition, consumer sovereignty and very less interference from the government.

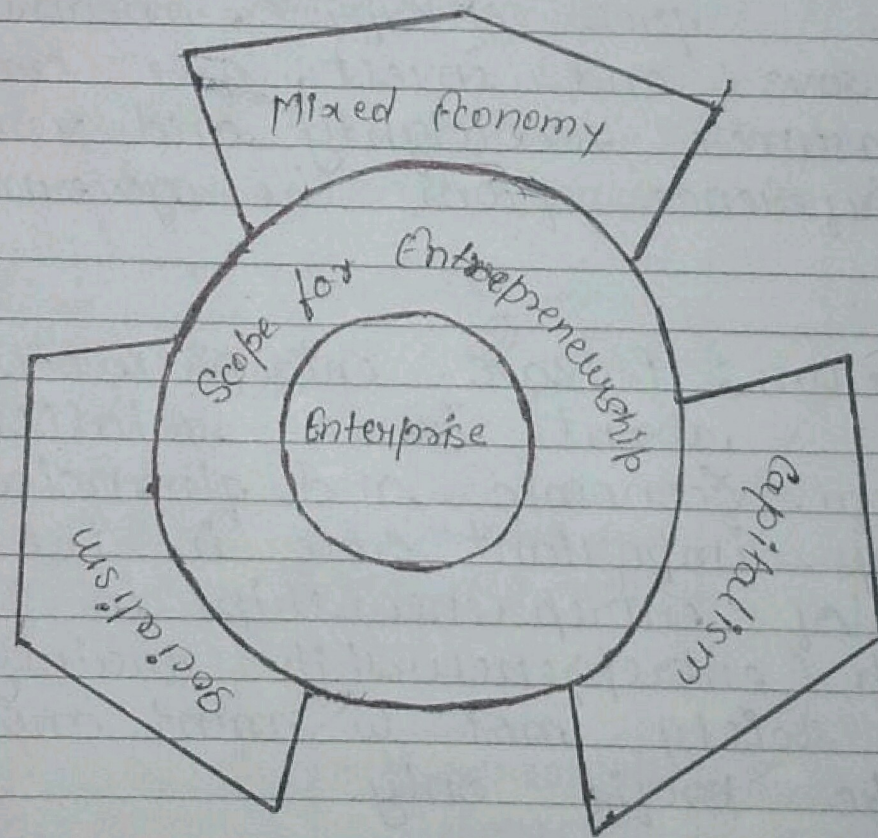
Socialism: Private entrepreneurship is absent in a socialist economic system. Economic and financial experts play an important role in the development of entrepreneurship in the system. Such entrepreneurship mainly serves the society not to mint money or to make profit only.

Mixed economy: The mixed economy is characterised by co-existence of both the private and public sectors.

in the same line of production.

Consumer goods are left to the private enterprises. Government undertakes the production of capital goods.

In a mixed economy, restrictions are placed by the Government to eliminate the problems of monopoly capitalism.



Need for Entrepreneurs

The entrepreneurs are considered 'change agents' in the process of industrial and economic development of an economy.

The need for entrepreneurs in an economy can be imbued with multiplicity of justifications are listed below:-

- Entrepreneurs promote capital formation by mobilising the idle saving of the people.
- They create immediate and large-scale employment by establishing small-scale enterprises. Thus, they reduce the unemployment problem in the country.
- They promote balanced regional development by establishing small-scale enterprises in rural, remote and less developed regions.
- They help reduce the concentration of economic power.
- They promote the equitable redistribution of wealth, income and even political power in the interest of the country.

of capital and skill which might otherwise remain unutilized and idle.

- They, by establishing industries, induce backward and forward linkages which stimulate the process of economic development in the country.
- Last but no means the least; they also promote country's export business i.e. an important ingredient to economic development.

TYPES OF ENTREPRENEURS

In fact, there is no typically entrepreneurs. Entrepreneurs are classified into different types based on different classifications as mentioned below:-

Based on the Types of Business

1. Trading Entrepreneurs: The trading entrepreneurs undertake the trading activities. They procure the finished products from the manufactures and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufactures and customers.
2. Manufacturing Entrepreneurs: The manufacturing entrepreneurs manufacture products. They identify the needs of the customers and, then, explore the resources and technology to be used to manufacture the products to satisfy the customers needs. In other words, the manufacturing entrepreneurs convert raw materials into finished products.

Agricultural Entrepreneurs: The entrepreneurs who undertakes agricultural pursuits are called agricultural entrepreneurs. They cover a wide spectrum of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanization and technology.

Based on the use of Technology

Technical Entrepreneurs: The entrepreneurs who establish and run science and technology-based industries are called 'technical entrepreneurs'. These are the entrepreneurs who make use of science and technology in their enterprise. Expectedly, they use new and innovative methods of production in their enterprises.

Non-Technical Entrepreneurs: The entrepreneurs who are not technical entrepreneurs are non-technical entrepreneurs. The forte of their enterprise is not science and technology.

Based on Ownership

1. Private Entrepreneur: A private entrepreneur is one who as an individual sets up a business enterprise. He/she is the sole owner of the enterprise and bears the entire risk involved in it.
2. State Entrepreneur: When the trading or industrial venture is undertaken by the state or the Government, it is called 'state entrepreneur'.
3. Joint Entrepreneur: When a private entrepreneur and the Government jointly run a business enterprise, it is called 'joint entrepreneurs'.

Based on Gender

1. Men Entrepreneur: When business enterprises are owned, managed and controlled by men, these are called 'men entrepreneurs'.
2. Women Entrepreneur: Women entrepreneurs are defined as the enterprises owned and controlled by a woman or woman having a minimum financial interest

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of 51 percent of the capital and giving
at least 51 percent of employment goes
in the enterprises to women.

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