



## Entrepreneurship Notes



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Faculty of Engineering, O.U  
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CBCS Curriculum with effect from Academic Year

Course Code	Course Title	Core / Elective
<b>OE 775ME</b>	<b>Entrepreneurship</b>	<b>Open Elective-</b>



Prerequisite	Contact Hours per Week				CIE	SEE	II
	L	T	D	P			Credits
-	3	-	-	-	30	70	3

**Course Objectives**

- To motivate students to take up entrepreneurship in future
- To learn nuances of starting an enterprise & project management
- To understand the design principles of solar energy systems, their utilization and performance evaluation
- To understand the behavioural aspects of entrepreneurs and time management

**Course Outcomes**

At the end of the course, the students will be able to

- Understand Indian Industrial Environment, Entrepreneurship and Economic growth, Small and Large Scale Industries, Types and forms of enterprises.
- Identify the characteristics of entrepreneurs, Emergence of first generation entrepreneurs, Conception and evaluation of ideas and their sources.
- Practice the principles of project formulation, Analysis of market demand, Financial and profitability analysis and Technical analysis.
- Apply the concepts of Project Management during construction phase, project organization, project planning and control using CPM, PERT techniques.
- Understand the Behavioural aspects of entrepreneurs, Time Management, Various approaches of time management, their strengths and weakness. The urgency addiction and time management matrix.

**UNIT-I**

Indian Industrial Environment-competence, Opportunities and Challenges. Entrepreneurship and Economic growth. Small Scale Industry in India, Objectives, Linkage among small, medium and heavy industries. Types of enterprises.

**UNIT-II**

Identification and characteristics of entrepreneurs. Emergence of First generation entrepreneurs, environmental influence and women entrepreneurs. Conception and evaluation of ideas and their sources. Choice of Technology - Collaborative interaction for Technology development.

**UNIT-III**

Project formulation, Analysis of market demand, Financial and profitability analysis and Technical analysis, project financing in India.

**UNIT-IV**

Project Management during construction phase, project organization, project planning and control using CPM, PERT techniques. Human aspects of project management. Assessment of tax burden.

**UNIT-V**



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Behavioural aspects of entrepreneurs: Personality - determinants, attributes and models. Leadership concepts and models. Values and attitudes. Motivation aspects. Change behaviour. Time Management: Various approaches of time management, their strengths and weaknesses. The urgency addiction and time management matrix.

**Suggested Readings:**

1. Vasant Desai, "Dynamics of Entrepreneurial Development and Management", Himalaya Publishing House, 1997
2. Prasanna Chandra, "Project-Planning, Analysis, Selection, Implementation and Review", Tata McGraw-Hill Publishing Company Ltd. 1995.
3. Stephen R. Covey and A. Roger Merrill, "First Things First", Simon and Schuster Publication, 1994.
4. G.S. Sudha, "Organizational Behaviour", 1996.
5. Robert D. Hisrich, Michael P. Peters, "Entrepreneurship", Tata Me Graw Hill Publishing Company Ltd., 5th Ed., 2005.

**UNIT-I**

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**Entrepreneurship**

The term “entrepreneurship” comes from the French verb “entreprendre” and the German word “unternehmen”, both means to “undertake”. Bygrave and Hofer in 1891 defined the entrepreneurial process as „involving all the functions, activities, and actions associated with perceiving of opportunities and creation of organizations to pursue them“. In simple, entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods".

**Competence**

Entrepreneurial competency results in superior performance of a job. Competency has a direct bearing on human behaviour and performance. Therefore, entrepreneurial competencies are needed to be developed and cultivated in a very systematic manner. The various methods or procedures suggested to develop and sharpen the entrepreneurial competencies are discussed below:

**I. Gaining Knowledge and understanding:**

The first step towards acquiring a new behaviour is to gain knowledge and understanding what a particular competence means. Competencies cannot be cultivated without having a proper knowledge and understanding of their meaning, importance and relevance. Therefore, it is essential to understand the various competencies required for the efficient performance of a given task.

**II. Recognising competency:**

The next step in developing entrepreneurial competencies refers to competency recognition. Under this step an effort is made to recognise the competency. Recognising the competency helps an entrepreneur to know as to what are the



competencies required to perform a given task in a particular manner when someone exhibits the same.

### III. Self-assessment:

Once a particular competency is understood and recognized, the next step is to find out where one stands with respect to a given competency. In other words, does one possess the given competence and if so how frequently one exhibits the same in one's day-to-day activities for achieving his desired goal. This step needs self introspection as regards the level of a particular competence.

### IV. Application in real life situation:

Any new behaviour that one acquires would become a part of one's personality only when one applies the same on a continuous basis in various activities. Regular practice of an activity brings perfection in the field. Therefore, there is a need to make an effort towards exhibiting all the competencies deliberately and consciously all the time even in the simplest activities that one performs.

### V. Comparison of competencies:

The next step is to compare the individual competencies developed through regular practice with the competencies required for the desired performance. If any deficiency is observed between the two, then an earnest attempt is to be made to find out the reasons thereof, so that necessary corrective measures can be taken for the same.

### VI. Feedback:

Having understood a competence and practiced the same in a given situation one needs to introspect to find out how one's new behaviour or act of exhibiting a competence has been rewarding. This is called 'Feedback'. This means, to find out the strengths and weaknesses of one's new competence. It helps in knowing the rewards of new competency. If greater is the benefit, then more will be one's determination to continue exhibiting the competence in a number of situations. It is through continuous application that one can ensure that the desired competency becomes part of his habit or personality.

## INDIAN SPECIFIC ENTREPRENEURSHIP CHALLENGES ARE

- **Family Challenges:** Convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in business of your choice or as a successor of family business. This is where it becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.
- **Social Challenges:** Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get



those with a bank loan but you still have nothing to show off and this is where challenge comes.

- **Technological Challenges:** Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively?
- **Financial Challenges:** (Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go with funding from small to medium business people. Many such non technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is loan but bank loan is not at all an option in India for new online entrepreneurs.
- **Policy Challenges:** Now and then there is lot of changes in the policies with change in the government. Problems of TRIPS and TRIMS.
- Problems of raising equity capital
- Problems of availing raw-materials.
- Problems of obsolescence of indigenous technology
- Increased pollutions Ecological imbalanced.
- Exploitation of small and poor countries, etc.

**Opportunities**

- Free entry into world trade.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- Establishment of other national and international institutes to support business among nations of the world.
- Benefits of specialization.
- Social and cultural development

Challenges for Rural Entrepreneurs	Opportunities for Rural Entrepreneurs
Growth of Mall Culture Poor Assistance Power Failure Lack of Technical know how Capacity Utilization Infrastructure Sickness	Crashed Scheme for Rural Development Food for Work Programme National Rural Employment Programme Regional Rural Development Centres Entrepreneurship Development institute of India Bank of Technology Rural Innovation Funding Social Rural Entrepreneurship.



## Introduction of SSI

Essentially the small scale industries are generally comprised of those industries which manufacture, produce and render services with the help of small machines and less manpower. These enterprises must fall under the guidelines, set by the Government of India.

The SSI's are the lifeline of the economy, especially in developing countries like India. These industries are generally labour-intensive, and hence they play an important role in the creation of employment. SSI's are a crucial sector of the economy both from a financial and social point of view, as they help with the per capita income and resource utilisation in the economy.

## Examples and Ideas of Small Scale Industries

- Bakeries
- School stationeries
- Water bottles
- Leather belt
- Small toys
- Paper Bags
- Photography
- Beauty parlours

## 2. Characteristics of SSI

- **Ownership:** SSI 's generally are under single ownership. So it can either be a sole proprietorship or sometimes a partnership.
- **Management:** Generally both the management and the control is with the owner/owners. Hence the owner is actively involved in the day-to-day activities of the business.
- **Labor Intensive:** SSI's dependence on technology is pretty limited. Hence they tend to use labour and manpower for their production activities.
- **Flexibility:** SSI's are more adaptable to their changing business environment. So in case of amendments or unexpected developments, they are flexible enough to adapt and carry on, unlike large industries.
- **Limited Reach:** Small scale industries have a restricted zone of operations. Hence, they can meet their local and regional demand.
- **Resources utilisation:** They use local and readily available resources which helps the economy fully utilise natural resources with minimum wastage.

## 3. Role in the Indian economy

- **Employment:** SSI's are a major source of employment for developing countries like India. Because of the limited technology and resource



availability, they tend to use labour and manpower for their production activities.

- **Total Production:** These enterprises account for almost 40% of the total production of goods and services in India. They are one of the main reasons for the growth and strengthening of the economy.
- **Make in India:** SSI's are the best examples for the Make in India initiative. They focus on the mission to manufacture in India and sell the products worldwide. This also helps create more demands from all over the world.
- **Export contribution:** India's export industry majorly relies on these small industries for their growth and development. Nearly half of the goods that are exported from India are manufactured or produced by these industries.
- **Public Welfare:** These industries have an opportunity to earn wealth and create employment. SSI's are also important for the social growth and development of our country.

#### 4. Objectives of SSI

The objectives of the small scale industries are:

- To create more employment opportunities.
- To help develop the rural and less developed regions of the economy.
- To reduce regional imbalances.
- To ensure optimum utilisation of unexploited resources of the country.
- To improve the standard of living of people.
- To ensure equal distribution of income and wealth.
- To solve the unemployment problem.
- To attain self-reliance.
- To adopt the latest technology aimed at producing better quality products at lower costs.

#### Entrepreneurship and Economic growth

Entrepreneurship is not a word that describes the struggle of a common person who puts all his efforts to build something of his/her own, it is also something that reflects the growth of the country. When it comes to entrepreneurship, several things come to the mind like the day-to-day functioning of an organization, gathering funds, manpower, resources and much more. But it's about time that we give a thought to what it is offering for the growth of the country?

Entrepreneurs are thought of as national assets who are civilized, remunerated and motivated to a great extent. There is no doubt that entrepreneurs are changing the way that we live and work. Those who are successful entrepreneurs are helping the community to improve the standard of their living and also assist a lot when it comes to adding and creating wealth with their entrepreneurial ventures. Moreover, they are also helping a lot in creating more jobs that is a good step towards a prosperous society.





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### **Entrepreneurs Create New Opportunities**

Entrepreneurs are providing great offers in the form of opportunities to many associated domains. No matter, in which sector the company deals but it will surely provide new opportunities that will further assist in economic development. The businesses of associated industries include network maintenance, call center operations and hardware providers. Even when it comes to education and training center they are hiring IT workers which is considered to be a high paying job. Moreover, the infrastructure development organizations and real estate companies as well are taking advantage of this growth. In simple words, an entrepreneur benefits a large part of the economy.

### **Addition to National Income**

There is no doubt in saying that all entrepreneurial ventures are creating new wealth. The new and improved products, technology or service in which the new entrepreneurs are dealing are allowing the market to be advanced. Moreover, the growing numbers of entrepreneurs result in high earnings that directly contribute to the national income of the country. It would be there in the form of higher tax revenue or something related to government spending. The government can further use this revenue in the needful sectors or the human capital.

### **Entrepreneurs Create Social Change**

We all are aware of the fact that there are many unique offers provided by the entrepreneurs that are breaking the traditional concept and support freedom. It is also assisting a lot in reducing the dependency level on outdated systems and technologies thus, helping in improving the standard of living, culture and great economic growth as well.

Apart from this, the globalization of technology which is growing day by day is allowing lesser developed countries to use high –tech tools which the developed countries are using. They are also getting the advantage of lower cost of living. With the same, a young entrepreneur from an underdeveloped country can take advantage of a product with a value of multi-million-dollar from a developed country.

Entrepreneurs also invest in several other things that include community projects. They are also providing financial assistance to local charities. If we talk about famous entrepreneurs such as Bill Gates who has used his hard earned money for causes starting from education to health.

### **SMALL & MEDIUM ENTERPRISES (SMEs)**

The Small & Medium Scale Enterprises (SME) segment occupies an important position in the country's economy and continues to contribute to industrial development, exports and forex earning, creation of employment opportunities etc. This segment has developed in parallel with large scale Indian and MNC



corporations. A continuous growth and development of the companies in this segment ensures a balanced growth of the Indian economy and acts as a facilitator towards entrepreneurial development, business ownership and related wealth creation, employment generation etc.

**Differences between small and big enterprises**

The following table gives a fair idea about the differences between small and big firms in various aspects.

<b>Small Enterprises</b>	<b>Big Enterprises</b>
Limited resources	Ample of resources
Less distance between owner and employees	Distance between owner/top managers and employees
Centralized decision making	Decentralization in most of the cases except critical decisions
Lack of bureaucracy	Existence of bureaucracy
Family kind of environment	Professional environment
Semi skilled or unskilled manpower	Skilled and specialized manpower
Division of labour may or may not be there	Division of labour is there
Limited business area	Diverse business area
Highly adaptable to changes in the market	Less adaptability due to huge resources for a typical business line
Independent of other enterprises	Dependent of smaller enterprises
Requires less investment	Requires huge investment

**Classification of Enterprises based on investment**

<b>Type of Enterprise</b>	<b>Investment in Plant and Machinery by the Firms Engaged in Manufacturing of Goods</b>	<b>Investment in Equipment by the Firms Engaged in Providing or Rendering of Services</b>
<b>Micro Enterprise</b>	Does not exceed 25 Lakh rupees	Does not exceed 10 Lakh rupees
<b>Small Enterprise</b>	More than 25 Lakh rupees, but does not exceed 5 Crore rupees	More than 10 Lakh rupees, but does not exceed 2 Crore rupees
<b>Medium Enterprise</b>	More than 5 Crore rupees	More than 2 Crore rupees



	but does not exceed 10 Crore rupees	but does not exceed 5 Crore rupee
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### **OPPORTUNITIES & CHALLENGES FOR SMEs IN INDIA**

Major policy reforms aimed at substantially deregulating industrial sector and liberalizing foreign investment as well as technology imports, have been the most significant development in India since 1991. The post liberalization era in the Indian economy has enhanced opportunities and challenges for the small industries sector.

The following factors – strengths coupled with opportunities work in favour of Indian SMEs

- High contribution to domestic Production
- Significant export earnings
- Low investment requirements
- Operational flexibility
- Location wise mobility
- Low intensive imports
- Capacities to develop appropriate indigenous technology
- Import substitution
- Contribution towards defense production
- Technology – oriented industries
- Competitiveness in domestic and export markets

### **LIMITATIONS OF SMEs**

- Low Capital base
- Concentration of management functions in one / two persons
- Inadequate exposure to international environment
- Inability to face impact of WTO regime
- Inadequate R & D
- Lack of professionalism