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MMPC-18

Entrepreneurship

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**Sample Preview
of the
Solved
Sample Question
Papers**

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QUESTION PAPER

June – 2024

(Solved)

ENTREPRENEURSHIP

MMPC-18

Time: 3 Hours]

[Maximum Marks : 100
Weightage : 70%

Note: Answer any five questions. Each question carries equal marks.

Q. 1. What are the key competencies that differentiate an entrepreneur from a regular business owner? How do they contribute in the success of a start-up?

Ans. The key competencies that differentiate an entrepreneur from a regular business owner often lie in mindset, innovation, risk tolerance, and strategic approach. These distinctions are critical in the success of a start-up, where the environment is typically fast-paced, uncertain, and highly competitive.

Also Add: Ref: See Chapter-2, Page No. 11, 'Major Entrepreneurial Competencies: An Overview'.

Q. 2. How do you define 'Women Entrepreneurship'? Discuss the significance of the women entrepreneurship in achieving women empowerment.

Ans. Ref.: See Chapter-3, Page No. 25, Q. No. 1.

Q. 3. What do you mean by a 'Business Model'? How is a Business Model validated? Discuss with a suitable example.

Ans. Ref.: See Chapter-6, Page No. 61, Q. No. 5.

Q. 4. You are a student who wants to start a part-time tuition service. What strategies would you use to determine the pricing for your tuition classes, taking into account factors such as market competition and the value you offer?

Ans. As a student starting a part-time tuition service, determining the right pricing strategy is crucial for attracting students while ensuring your time and effort are fairly compensated. Here's how I would approach pricing, considering market competition and the value I offer:

1. Market Research:

Analyze Local Competitors: First, I would research the local tuition market to see what other tutors or tuition centers are charging. This includes looking at both individual tutors and established tuition centers. I'd focus on similar subjects, student levels (e.g., primary,

secondary), and the geographical area where I intend to operate.

Consider Online Platforms: Many students use online tutoring platforms like Wyzant, TutorMe, or local equivalents. I would check these platforms for average rates in my subject areas.

Survey Parents and Students: Engaging with potential customers can provide direct insights into what they are willing to pay. A small survey could help gauge price sensitivity.

2. Assess My Value Proposition:

Experience and Qualifications: As a student tutor, I might not have the same level of experience as professional tutors, which could mean starting with a lower rate initially. However, if I have excellent grades, relevant skills, or prior tutoring experience, I can justify charging a higher rate. Specializing in high-demand subjects (like math, science, or foreign languages) could also allow for premium pricing.

Unique Selling Points (USPs): If I offer something unique—like personalized lesson plans, flexible scheduling, or specialized knowledge in an advanced subject—I would emphasize this value and charge accordingly.

Level of Customization: Offering customized help (tailoring the session to each student's weaknesses) adds value, which could justify a higher fee compared to more generic classes.

3. Cost and Time Considerations:

Hourly Rate Calculation: I would calculate the minimum hourly rate I need to cover costs and make the time worthwhile. For example, I'd factor in prep time, transportation (if in-person), or any software/subscription costs (for online platforms).

Group vs. Individual Classes: Individual tutoring is more intensive and personal, allowing for a higher fee, while group sessions can be priced lower per student since I can teach multiple students at once. The group

option would make tuition more affordable for students while increasing my total earnings per hour.

4. Offer Flexible Pricing Tiers:

Introductory Rates: When starting, I could offer discounted or introductory rates to build up a client base and gather testimonials. Over time, as I gain experience and a positive reputation, I can gradually increase my rates.

Bundled Packages: Offering discounts for booking multiple sessions upfront (e.g., a package of 5 or 10 lessons) could incentivize long-term commitments and provide more consistent income.

Tiered Pricing: I could offer different pricing for different levels of service. For example, higher prices for exam preparation, specialized topics, or extra support (e.g., weekly progress reports), while keeping basic tutoring more affordable.

5. Consider Location and Delivery Method:

Online vs. In-person: Online tutoring could have lower operating costs (no travel, materials, etc.), allowing for a more competitive rate. If tutoring in person, especially if it involves travel, I might charge slightly more to cover transportation costs.

Regional Differences: In affluent areas, parents might be willing to pay more, while in more price-sensitive areas, competitive pricing would be important. I'd adapt pricing based on the socio-economic demographics of my target area.

6. Dynamic Pricing for Flexibility:

Flexible Pricing Based on Demand: As demand increases, especially during exam season, I could adjust my rates accordingly. Offering premium services during peak times, such as weekend crash courses, could justify a higher rate.

7. Trial Sessions and Promotions:

Free or Low-cost Trial: A free or discounted first session can be a good way to attract new students. It allows potential clients to assess my teaching style and value, encouraging them to commit to regular sessions.

Referral Discounts: Offering a discount to both the referrer and the referred student could encourage word-of-mouth promotion, helping me grow my client base.

Q. 5. Discuss the concept of 'Bootstrapping' in entrepreneurship. What are its advantages and challenges? How can it be helpful in funding the startups?

Ans. Ref.: See Chapter-7, Page No. 67-68, 'Bootstrapping Techniques'.

Also Add: Bootstrapping as a Funding Strategy for Startups:

1. Self-Sufficiency in Early Stages: Bootstrapping forces entrepreneurs to find creative ways to get their businesses off the ground without outside help. They often begin by offering services to generate cash flow quickly or by launching a minimal viable product (MVP) to test the market. This self-sufficiency can be a strong foundation for long-term success.

2. Preserving Equity for Later Funding: Startups that bootstrap in their early stages preserve their equity, which can be advantageous if they decide to seek external funding later on. At that point, they will have demonstrated traction, which can help secure better terms from investors. Additionally, a company with a proven business model is more attractive to venture capitalists or angel investors.

3. Building a Track Record: By bootstrapping, entrepreneurs can build a track record of success before approaching investors. Showing that the business is already generating revenue and managing costs efficiently increases credibility and reduces the perceived risk for potential investors.

4. Customer-Funded Model: Some bootstrapped startups adopt a customer-funded model, where the early sales directly finance business growth. This approach shifts the focus to building strong customer relationships, creating products or services that meet market demand, and maintaining a clear value proposition.

5. Reduced Dependency on External Investors: Bootstrapping can serve as a stepping stone toward independence. Once a business is generating revenue and covering its operational costs, it becomes less reliant on external investors, reducing the pressure to raise additional funding.

Q. 6. Suppose you are a social entrepreneur. Identify a social issue around you. Explain how innovatively you will resolve the social problem.

Ans. Ref.: See Chapter-11, Page No. 129, Q. No. 7.

Q. 7. What is family business? How is it different from other forms of business? What are the challenges faced by family business owners? Discuss with examples.

Ans. Ref.: See Chapter-14, Page No. 160-162, Q. No. 1 and Q. No. 2.

Q. 8. What is a business plan? Discuss the various elements of a business plan.

Ans. Ref.: See Chapter-9, Page No. 102, Q. No. 4.



Sample Preview of The Chapter

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ENTREPRENEURSHIP

Introduction to Entrepreneurship

INTRODUCTION

Entrepreneurship, which derives from the French word “entreprendre,” refers to the capacity of a person to take risks, be responsible and confront difficulties in order to spot possibilities, question accepted market standards and generate value.

French economist and banker Richard Cantillon originally popularised the idea of entrepreneurship in the early 18th century. The concept of entrepreneurship as a “profit-seeking enterpriser” who seeks to launch a company with a commercial objective was expanded by Adam Smith. Later, Jean-Baptiste Say added economic development to the definition of entrepreneurship, broadening its scope. According to Low & MacMillan, entrepreneurship involves the creation of new businesses and is essential for growing the economy.

CHAPTER AT A GLANCE

EVOLUTION OF ENTREPRENEURSHIP

Diverse schools of thought have influenced the development of the discipline of entrepreneurship. An approach developed by Gartner that has gained widespread acceptance focuses on four perspectives: the founder as a person, the actions made during venture development, the external environment and the organisational structure and strategy. However, the development of the idea of entrepreneurship can be divided into the following stages:

Entrepreneur as a Rational Agent: A group of economists have developed Cantillon’s legacy by defining an entrepreneur as a logical player within their economic context. The economics department concentrated on how firms are developed, how resources are managed and how they interact with the outside world.

From Rational Agent to Entrepreneurial Personality Traits: The focus of entrepreneurship

research has evolved from seeing entrepreneurs as merely rational economic agents to concentrating on their unique traits and identity. Entrepreneurial behaviour was thought to be influenced by traits including the need for success or self-realization, internal locus of control, self-confidence, risk-taking tendency, need for power and achievement and drive for independence.

From Personality Trait to Opportunity Recognition: Entrepreneurship began to change its emphasis in the late 1990s towards identifying and learning about opportunities in order to comprehend how they are found, made and used. Individuals with specialised knowledge, skills and behavioural traits are better able to recognise and build viable company plans based on market needs and technology advancements since market information is asymmetrically distributed.

From the Opportunity to Institutions and Network: Late 20th-century theories of entrepreneurship contend that rather than human ability or choice, environmental, institutional and cultural variables are much more important in determining how enterprises are formed and thrive.

Entrepreneurs are a vital component of a social network that makes it easier for resources to flow during the entrepreneurial process. Networks are organised systems of relationships of exchange between people or organisations that promote communication and the sharing of knowledge.

Emergence of Constructivist and Integrating Approach: The interconnectivity of the environment, people, organisational skills and entrepreneurial prospects must be studied, according to Busenitz et al. (2003). A constructivist frame-work aims to comprehend how people and their connections, survival tactics, developmental processes and the effects of the environment and available resources on business initiatives influence new value creation and entrepreneurial endeavours.

ENTREPRENEUR VS. MANAGER

Entrepreneurs are largely in charge of spotting unexploited opportunities, addressing unmet market demands and accepting financial risks in order to accomplish business goals. By introducing new products, technologies, or business strategies, they uncover market gaps and develop creative solutions. Entrepreneurs are outwardly focused, always searching the market for data and creating successful business plans. They frequently present ground-breaking concepts with the potential to add value. Managers, on the other hand, are largely charged with supervising and directing the daily operations of established businesses. They guarantee effective manufacturing and prompt delivery of goods and services. Managers are personnel who are paid a fixed salary and certain incentives and who work for well-established companies. Planning, organising, inspiring, managing and coordinating companywide operations are among their duties. The purpose of managers is to guarantee that employees effectively contribute to the company's goals while maximising the utilisation of resources.

ENTREPRENEUR VS. INTRAPRENEUR

Individuals that display innovation and entrepreneurial traits within an organisation are known as intrapreneurs. They are workers who exhibit an entrepreneurial spirit by taking chances and leading business projects for their organisation. Within the context of the organisation, intrapreneurs apply their entrepreneurial expertise, innovation and forward-thinking. Intrapreneurs work within the restrictions and goals of the organisation they work for, as opposed to entrepreneurs who independently manage their own firms and bear all related risks. They can come up with fresh concepts and business goals without having to deal with the challenges of beginning a new business, such as unclear finances or scarce resources.

THEORIES OF ENTREPRENEURSHIP

In order to understand entrepreneurship, various theories have been established, drawing on fields including sociology, psychology, anthropology, economics and management. Industrial revolution-inspired economic theories place a strong emphasis on elements like rivalry, competition, specialisation and free trade that support entrepreneurial behaviour. The following section discusses some of the main entrepreneurial theories.

Innovation Theory of Joseph A. Schumpeter: By upending the established cyclic flow of the economy, entrepreneurship is crucial in promoting

economic development, according to Schumpeter (1934). Entrepreneurs drive the economy to new levels of growth by creating “novel combinations” of means of production, which he refers to as innovation.

Theory of Locus of Control: Julian Rotter was the first to identify locus of control as a significant personality trait in the 1950s. It refers to a person's viewpoint on the fundamental reasons for things that happen in their life. While those with an external locus of control attribute results to outside forces beyond their control, those with an internal locus of control feel they have control over events through their activities.

Need for Achievement Theory of David McClelland: According to McClelland, the main force behind entrepreneurship is motivation. The need for achievement (N-Ach) drives successful entrepreneurs to embark on dangerous and unpredictable projects without being swayed only by external benefits like money. The N-Ach trait includes elements like accepting responsibility, creating goals, accomplishing them by individual work, utilising feedback and being prepared to take reasonable risks.

Theory of Risk and Uncertainty by Knight:

Entrepreneurship requires taking risks, as Professor Knight and John Stuart Mill both emphasise. The risk-bearing idea holds that business owners make money by taking risks. According to this hypothesis, business owners reap rewards for successfully navigating non-insurable risks and uncertainties. The quantity of profit realised is correlated with the level of uncertainty expected.

Hagen's Theory of Entrepreneurship: Hagen (1962) stated that the entrepreneurial spirit is fueled by the ingenuity of underrepresented minority groups. Hagen proposed that personality changes that encourage entrepreneurial behaviour are triggered by the loss of respect and status.

Hagen hypothesised that four possible reactions and matching personality types could result from a lack of status respect: retreatist, ritualist, reformist and innovator.

Theory of Cultural Values by Thomas Cochran: According to Thomas Cochran's concept, entrepreneurship exhibits a “model personality” that is shaped by societal influences, cultural norms, beliefs and role expectations. Achievement and cooperation are virtues ingrained in modern child rearing. Entrepreneurs' behaviours are influenced by their attitudes, organisational needs and work demands.

Sociological Theory Entrepreneurship by P.D. Reynolds: P.D. Reynolds identified four societal contexts that have an impact on the emergence of entrepreneurial opportunities. (i) The importance of trust and goodwill on social networks influences entrepreneurship, (ii) Individuals are motivated to pursue meaningful lives through entrepreneurship by various life phases and experiences, (iii) Ethnic identity, particularly among marginalised people, ties sociological backgrounds to entrepreneurial motivation, and (iv) Population ecology draws attention to the impact of external elements, including as the political system, rules, regulations, customers, employees and competitors, on the viability and performance of new ventures.

Opportunity-Based Theory of Entrepreneurship: Entrepreneurs, according to Drucker, are people who seize the chance presented by change. Instead of concentrating on issues, the framework gives priority to the opportunities that changes provide.

Theory of Entrepreneurial Alertness by Israel Kirzner: The entrepreneurial discovery hypothesis was first presented by Kirzner, who focused on how entrepreneurs address pricing disparities in the market and create equilibrium.

The Theory of Resources and Capabilities: The idea of strategy formulation, developed by Chandler, Tilles and Ansoff, focuses on entrepreneurs evaluating the resources available to their business in order to develop and implement a business strategy that will generate and capture sustainable value.

Theory of Effectuation by Sarasvathy: Entrepreneurs actually work with predetermined techniques, selecting outcomes based on the tools at their disposal.

Theory of Entrepreneurial Bricolage: Bricolage, which is frequent among SMEs and microbusinesses, is leveraging resources that are already available to develop and carry out plans. Bricolage is fueled by creativity, which also fosters organisational resilience, encourages improvisation and makes use of technical systems and artefacts.

TYPES OF ENTREPRENEURSHIP

Small Business Entrepreneurship: Small enterprises make up the bulk of entrepreneurial activity in India. These enterprises run on a modest scale to support the owners' livelihoods and uphold a minimal standard of living.

Large Company Entrepreneurship: These well-known businesses routinely provide cutting-edge goods and services while making a profit. They

have developed through time, creating a long-lasting competitive edge over rivals.

Scalable Start-up Entrepreneurship: Scalable start-up business starts with an original concept that fills a market gap. Entrepreneurs look to venture capitalists for financing based on the uniqueness and viability of the idea. To accomplish rapid expansion and make substantial profits, they employ specialised staff.

International Entrepreneurship: In international entrepreneurship, business owners build sales offices abroad or export their products to markets outside of India. When the global demand rises and the local demand falls, it becomes profitable. Before looking at chances abroad, international business entrepreneurs first concentrate on their home market.

Social Entrepreneurship: Social entrepreneurs strive to bring about constructive change and are motivated by a thorough awareness of societal concerns. By concentrating on issues like environmental preservation, animal welfare and underprivileged people, they create creative responses to pressing problems.

Environmental Entrepreneurship: Environmental entrepreneurship prioritises social and environmental benefits over a focus on financial gain. The production of audiobooks, impact blogging and SaaS software are a few examples of green businesses that do not hurt the environment.

Technopreneurship or Technological Entrepreneurship: Technopreneurs use their technical know-how and entrepreneurial prowess to launch technology-driven businesses that rely on cutting-edge use of technology. They have the power to upend the market and offer cutting-edge solutions to customers.

Imitative Entrepreneurship: Imitative entrepreneurship entails copying current business models and providing comparable goods and services. Franchise agreements are frequently used by these businesses.

Researcher Entrepreneurship: Before launching their firm, researcher entrepreneurs do in-depth market research and potential analysis. To increase their chances of success, they rely on being knowledgeable, prepared and organised.

Innovation Entrepreneurship: Innovative entrepreneurship seeks out market niches and fills them with one-of-a-kind products and services that improve the lives of consumers.

Cyber Entrepreneurship: Information technology is used by cyber entrepreneurs to set up online enterprises and provide goods and services using web-based applications.

ACTIVITIES

Q. 1. Explain briefly the evolution of Entrepreneurship over the years.

Ans. Over time, the idea of entrepreneurship has undergone tremendous change as a result of shifting viewpoints and knowledge of the subject. The development of entrepreneurship has been impacted by a number of ideas and paradigms, from its early emphasis on the formation of new organisations to its expanded scope embracing opportunity recognition, innovation and socio-cultural variables.

In its early phases, starting new businesses was the main definition of entrepreneurship. The importance of individuals, groups and the external business environment in the formation of new initiatives was highlighted by academics like Gartner. They emphasised the significance of entrepreneurs' objectives and behavioural inclinations in the growth of businesses. Shane and Venkataraman shared this perspective, viewing entrepreneurship as the act of identifying, analysing and seizing possibilities for brand-new products and services.

As the study went on, the emphasis moved to figuring out the unique traits of entrepreneurs. In identifying the psychological qualities and abilities pertinent to entrepreneurial behaviour, trait theories and studies on personality and cognitive processes have become increasingly popular. McClelland, for instance, looked at the urge for success and self-realization as characteristics that set an entrepreneur apart from other people. Nevertheless, finding specific personality traits that contribute to entrepreneurial success has proven difficult and inconclusive despite countless studies on personality factors.

The focus of entrepreneurship began to change towards identifying and comprehending possibilities in the late 1990s. The study of how opportunities are found, generated and taken advantage of has gained popularity. Kirzner and other academics have emphasised the significance of viewing market demands and underutilised resources as opportunities. This viewpoint recognised that entrepreneurship is not just about the individual but also about the capacity to recognise and take advantage of market inefficiencies and technical advancements.

The socio-cultural setting started to matter more in the study of entrepreneurship. To comprehend how social, cultural and institutional elements affect entrepreneurial behaviours, scholars combined theories from network, institutional and sociological perspectives. Sociocultural values that encourage creativity, risk-taking and self-reliance have been identified as essential for promoting entrepreneurial activities.

As scholars realised the importance of social connections in gaining access to opportunities, resources and information, the role of social networks came into focus. The value of entrepreneurs' social networks in facilitating resource flows for the entrepreneurial process was emphasised by Aldrich and Zimmer. Social networks were viewed as platforms for the sharing of knowledge, the invention of new ideas and the creation of businesses. The writings of Birley, Aldrich and others brought attention to the importance of linkages and interactions between various actors in fostering entrepreneurship.

Q. 2. Explain how an entrepreneur is different from an intrapreneur.

Ans. While both entrepreneurship and intrapreneurship are connected to corporate activities and innovation, they differ in terms of context, ownership, risk and rewards.

Context: An entrepreneur works independently and autonomously, either building their own company from the ground up or buying an already existing one. An intrapreneur, on the other hand, works for a well-established company, use its resources and assistance to promote innovation and generate value.

Ownership: Ownership of a business is a characteristic of entrepreneurs. They are ultimately responsible for the venture's success or failure and are in charge of its strategic direction and decision-making. On the other hand, an organization's employees who work within its current structure and hierarchy are known as intrapreneurs. They invent and open up new doors, but the firm retains ownership and control.

Risk: Entrepreneurs take on a lot of personal and financial risk. They make investments with their own money, obtain financing and confront market risks. They are in charge of handling risks related to sales, profitability and long-term viability of the company. Contrarily, intrapreneurs work within the organization's safety net. They appreciate the assistance and resources offered by the business, which takes on the associated financial risks and