

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### ENTREPRENEURSHIP DEVELOPMENT

Question 1:

Describe briefly the steps involved in starting a new business.

**ANSWER:**

The following are the steps involved in setting up a new business.

i) **Scanning for Opportunities:**

The first step involved in starting up a business is to look out for various business opportunities. For scanning the opportunities an entrepreneur uses his personal observations, contacts, official reports, published documents, surveys, etc. He carefully analyses each opportunity and works out how he can use them to create goods and services. He analyses the situations based on several factors such as market size, where to procure goods from, at what price to sell, probable competitors, etc. Opportunities are scanned not only at the domestic/national front but also at the international front.

ii) **Deciding on the Product/Idea:**

Scanning of opportunities helps in identifying the broad segment or market for the business. The next step is to zero in on a particular product or service in the selected market segment. For instance, suppose an entrepreneur decides to set up a venture in the fast food market. He must decide the products or combination of products that he would supply.

iii) **Analysis of Feasibility:**

Once the product or service is chosen it becomes important for the entrepreneur to check whether the idea is practically possible or not. The entrepreneur needs to find this out, on the basis of different parameters such as whether the technology to be used is available, whether the product will derive profits, is the idea financially feasible and whether the good will face any legal restrictions.

iv) **Appraisal by Funding Agencies:**

To set up the business, an entrepreneur requires funds. For receiving the required funds, the entrepreneur discusses the business plan and the feasibility reports with the financial

agencies. The financial institutions provide the funds only when they are convinced about the plan and its feasibility. Sometimes the financial institutions require the entrepreneur to fill a performa detailing about the plan.

v) **Resource Mobilisation:**

After the appraisal is received from funding institutions, the entrepreneur starts identifying and collecting the resources that are needed for the commencement of the project. The resources required comprise of raw materials, technology, human resources, machines, etc. The entrepreneur tries to obtain the resources at the minimum possible cost.

vi) **Project Launch:**

Next, the entrepreneur proceeds with the commencement of the project. That is, he undertakes activities such as establishing the factory premises, purchasing equipments, collecting the inputs for production, etc. Thereby, he establishes the enterprise.

vii) **Adoption and Management of Growth:**

The role of an entrepreneur do not ends with the establishment of enterprise. He performs various other day-to-day functions such as organising goods and services, ensuring production, keeping an eye on competition etc. Thus, he needs to manage the business and continuously strive for better growth and development

*Question 2:*

Examine the nature of relationship between entrepreneurship and economic development.

**ANSWER:**

The relationship between entrepreneurship and economic development can be highlighted with the help of the following functions performed by entrepreneurs.

i) **Contribution to GDP**

Economic development of any economy is often related to increase in GDP. As entrepreneurs takes up production activities, he directly contribute towards the generation of income. In addition to the process, he appoints various factors of production such as land, labour and capital. In return of the services provided, the factors of production receive income. Land gets rent, labour gets wages and capital receives interest and all these values add to the GDP.

ii) **Capital Formation**

The GDP of an economy is directly related to the rate of capital formation. Higher the desired rate of growth of GDP, higher is the required rate of capital formation. Entrepreneurs invest their own savings as well as mobilise the savings of others. Thereby, they contribute in the process of capital formation.

### iii) ***Generating Employment***

Many people are not able to earn a living due to lack of opportunities. A new business provides employment opportunity to such people and act as a source to earn livelihood. An entrepreneur by setting up a business provides employment directly as well as indirectly. For instance, it provides employment to labourers building up a factory, to people who will be working in the production process, etc.

### iv) ***Generation of Business Linkages***

An entrepreneur helps in creating a chain of business linkages. An enterprise provides opportunities to both the suppliers of the inputs as well as the marketers who will be selling the output. For instance, if an entrepreneur decides to manufacture tables and chairs, he creates business opportunities for the people who provide the input resources such as wood, steel, etc. Similarly, he will provide work for workers, transporters as well as for the retailers who will sell them further.

### v) ***Increased Efficiency***

An entrepreneur improves economic efficiency by avoiding wastage of resources. He focuses on optimisation of resources and aims at producing greater output from the available input. He also works on the technological upgradation and thereby, contributes to increased productivity.

### vi) ***Increasing the Range of Economic Activities***

Entrepreneurs always look out for fresh areas to invest their savings into or to start up a new business. By doing so, they help in increasing the scale of economic development. By bringing out new opportunities and serving as a source of livelihood in new sectors rather than the stale ones, they help in diversifying the economic activities across geographical and technological and sectoral scope.