



# ALAGAPPA UNIVERSITY

[Accredited with 'A+' Grade by NAAC (CGPA:3.64) in the Third Cycle  
and Graded as Category-I University by MHRD-UGC]

(A State University Established by the Government of Tamil Nadu)

KARAIKUDI – 630 003



## Directorate of Distance Education

**BBA**

**VI - Semester**

**104 64**

# ENTREPRENEURSHIP

## Authors

**Dr Bhavesh M. Patel**, *Ex Professor, XLRI, Jamshedpur*  
Units (1-7, 8.0-8.1, 8.2.1-8.4, 12)

**Dr NR Mohan Prakash**, *Assistant Professor, GITAM University, Visakhapatnam*  
Units (8.2, 9, 11.0-11.2.1, 11.2.3-11.2.6, 11.2.8-11.2.9, 11.5-11.9, 13)

**Vikas® Publishing House**, Units (8.5-8.9, 10, 11.2.2, 11.2.7, 11.2.10-11.4, 14)

"The copyright shall be vested with Alagappa University"

All rights reserved. No part of this publication which is material protected by this copyright notice may be reproduced or transmitted or utilized or stored in any form or by any means now known or hereinafter invented, electronic, digital or mechanical, including photocopying, scanning, recording or by any information storage or retrieval system, without prior written permission from the Alagappa University, Karaikudi, Tamil Nadu.

Information contained in this book has been published by VIKAS® Publishing House Pvt. Ltd. and has been obtained by its Authors from sources believed to be reliable and are correct to the best of their knowledge. However, the Alagappa University, Publisher and its Authors shall in no event be liable for any errors, omissions or damages arising out of use of this information and specifically disclaim any implied warranties or merchantability or fitness for any particular use.



VIKAS®

VIKAS® is the registered trademark of Vikas® Publishing House Pvt. Ltd.

VIKAS® PUBLISHING HOUSE PVT. LTD.

E-28, Sector-8, Noida - 201301 (UP)

Phone: 0120-4078900 • Fax: 0120-4078999

Regd. Office: A-27, 2nd Floor, Mohan Co-operative Industrial Estate, New Delhi 1100 44

• Website: [www.vikaspublishing.com](http://www.vikaspublishing.com) • Email: [helpline@vikaspublishing.com](mailto:helpline@vikaspublishing.com)

---

# SYLLABI-BOOK MAPPING TABLE

## Entrepreneurship

---

Syllabi	Mapping in Book
<b>BLOCK I: BASICS OF ENTREPRENEURSHIP</b> <b>Unit 1:</b> Introduction to Entrepreneurship: Meaning and concept of entrepreneurship, the history of entrepreneurship development, role of entrepreneurship in economic development, agencies in entrepreneurship management and future of entrepreneurship. <b>Unit 2:</b> The Entrepreneur: Meaning of entrepreneur, the skills required to be an entrepreneur, the entrepreneurial decision process, and role models, mentors and support system. <b>Unit 3:</b> Business Opportunity Identification: Business ideas, methods of generating ideas, and opportunity recognition. <b>Unit 4:</b> Preparing a Business Plan: Meaning and significance of a business plan, components of a business plan, and feasibility study.	<b>Unit 1:</b> Introduction to Entrepreneurship (Pages 1-16); <b>Unit 2:</b> The Entrepreneur (Pages 17-32); <b>Unit 3:</b> Business Opportunity Identification (Pages 33-45); <b>Unit 4:</b> Preparing a Business Plan (Pages 46-60)
<b>BLOCK II: FINANCING AND LAUNCHING OF NEW VENTURE</b> <b>Unit 5:</b> Financing the New Venture: Importance of new venture financing, types of ownership securities, venture capital, types of debt securities, determining ideal debt-equity mix, and financial institutions and banks <b>Unit 6:</b> Launching the New Venture: Choosing the legal form of new venture, protection of intellectual property, and marketing the new venture. <b>Unit 7:</b> Managing Growth in New Venture: Characteristics of high growth new ventures, strategies for growth, and building the new venture capital <b>Unit 8:</b> Business ideas – project identifications and formulations – classifications – Project feasibility study – projects appraisal methods-product designs network analysis – financial analysis.	<b>Unit 5:</b> Financing the New Venture (Pages 61-78); <b>Unit 6:</b> Launching the New Venture (Pages 79-94); <b>Unit 7:</b> Managing Growth in New Venture (Pages 95-110); <b>Unit 8:</b> Business Ideas (Pages 111-158)
<b>BLOCK III: INSTITUTIONAL DEVELOPMENTS OF ENTREPRENEURS</b> <b>Unit 9:</b> Financing Entrepreneur – Institutional finance to Entrepreneurs – role of IDBI – IFCI – ICICI – IRCI – SIDBI – LIC – SFC – TIIC – Commercial banks in financial role. <b>Unit 10:</b> Promoting Enterprise – SSI – Role and growth of SSI – Regulation governing SSI – incentives and concessions – sickness and causes and remedial. <b>Unit 11:</b> Institutional Developments of Entrepreneurs – role of DIC – SISI – SIDCO – NSIC – NAYE – KVIC – TCDS – ITCOT and Entrepreneurial guidance bureau – Incentives and subsidies to Entrepreneurs problems and prospectus EDP – for developing women and rural Entrepreneurs – Entrepreneurial motivation.	<b>Unit 9:</b> Financing Entrepreneurs (Pages 159-177); <b>Unit 10:</b> Promoting an Enterprise (Pages 178-203); <b>Unit 11:</b> Institutional Development of Entrepreneurs (Pages 204-233)
<b>BLOCK IV: ENTREPRENEURIAL CULTURE</b> <b>Unit 12:</b> Harvesting Rewards: Exit strategies for entrepreneurs, bankruptcy, and succession and harvesting strategy <b>Unit 13:</b> Programmes for Developing Entrepreneurship: Entrepreneurship development programmes – Seed Capital assistance – Capital subsidy – Backward area development schemes – Sales tax concessions – Energy concessions – Recent trends. <b>Unit 14:</b> Entrepreneurial Culture – Entrepreneurial Society – Intrapreneurship. Meaning – Importance – Implication – Need – Types – Scope, Features Management of change – Special Programmes of assistance to Entrepreneurship	<b>Unit 12:</b> Harvesting Rewards (Pages 234-248); <b>Unit 13:</b> Programmes for Developing Entrepreneurship (Pages 249-259); <b>Unit 14:</b> Entrepreneurial Culture (Pages 260-270)

---

---

# CONTENTS

---

## INTRODUCTION

### BLOCK I: BASICS OF ENTREPRENEURSHIP

#### UNIT 1 INTRODUCTION TO ENTREPRENEURSHIP 1-16

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Entrepreneurship: Meaning and Concept
  - 1.2.1 Definition
  - 1.2.2 Importance of Entrepreneurship
  - 1.2.3 Nature
- 1.3 History of Entrepreneurship Development
- 1.4 Role of Entrepreneurship in Economic Development
- 1.5 Agencies in Entrepreneurship Management
  - 1.5.1 Future of Entrepreneurship
- 1.6 Answers to Check Your Progress Questions
- 1.7 Summary
- 1.8 Key Words
- 1.9 Self Assessment Questions and Exercises
- 1.10 Further Readings

#### UNIT 2 THE ENTREPRENEUR 17-32

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Entrepreneur: Meaning and Concepts
  - 2.2.1 Qualities of a Successful Entrepreneur
- 2.3 Skills Required for an Entrepreneur
- 2.4 The Entrepreneurial Decision Process
  - 2.4.1 Entry Decision
  - 2.4.2 Business Decisions
  - 2.4.3 Exit Decision
  - 2.4.4 Process of Decision-making
  - 2.4.5 Role Models, Mentors and Support System
- 2.5 Answers to Check Your Progress Questions
- 2.6 Summary
- 2.7 Key Words
- 2.8 Self Assessment Questions and Exercises
- 2.9 Further Readings

#### UNIT 3 BUSINESS OPPORTUNITY IDENTIFICATION 33-45

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Business Ideas
  - 3.2.1 Sources of Opportunities

- 3.3 Methods of Generating Ideas
- 3.4 Opportunity Recognition
  - 3.4.1 Strategic Choice
  - 3.4.2 Creating Environment
- 3.5 Answers to Check Your Progress Questions
- 3.6 Summary
- 3.7 Key Words
- 3.8 Self Assessment Questions and Exercises
- 3.9 Further Readings

#### **UNIT 4 PREPARING A BUSINESS PLAN**

**46-60**

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Consumer Behaviour: Meaning, Importance, Determinants and Theories
  - 4.2.1 Role of Consumer Behaviour
  - 4.2.2 Determinants of Consumer Behaviour
- 4.3 Consumer Buying Process
- 4.4 Answers to Check Your Progress Questions
- 4.5 Summary
- 4.6 Key Words
- 4.7 Self Assessment Questions and Exercises
- 4.8 Further Readings

### **BLOCK II: FINANCING AND LAUNCHING OF NEW VENTURE**

#### **UNIT 5 FINANCING THE NEW VENTURE**

**61-78**

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Importance of New Venture Financing
  - 5.2.1 Types of Funds Needed
  - 5.2.2 Rights and Obligations of Fund Providers
- 5.3 Types of Ownership Securities
  - 5.3.1 Common or Equity Shares
  - 5.3.2 Preference Shares
  - 5.3.3 Deferred Shares
  - 5.3.4 Subsidy and Tax Incentives
- 5.4 Venture Capital
  - 5.4.1 Characteristics of Venture Capital – Venture Capitalist
  - 5.4.2 Eligibility Criteria for Venture Capital Financing
  - 5.4.3 Opportunities of Venture Capital Financing
  - 5.4.4 Sources of Venture Capital
  - 5.4.5 Angel Capitalists
  - 5.4.6 Charitable Venture Capitalists
- 5.5 Types of Debt Securities
  - 5.5.1 Term Loan
  - 5.5.2 Lease
  - 5.5.3 Debentures and Bonds

- 5.6 Determining Ideal Debt-Equity Mix
  - 5.6.1 Predetermined Standard of Debt-Equity Ratio
  - 5.6.2 Interest-Cover Ratio or Times-Interest-Earned (TIE) Ratio
  - 5.6.3 Determining Debt-Equity Ratio via Debt-Service-Coverage Ratio (DSCR)
  - 5.6.4 Determining Debt-Equity Ratio via Degree of Total Leverage
- 5.7 Financial Institutions and Banks
  - 5.7.1 Money Market
  - 5.7.2 Capital Market
  - 5.7.3 Financial Market Institutions
  - 5.7.4 Project Financing in India
- 5.8 Answers to Check Your Progress Questions
- 5.9 Summary
- 5.10 Key Words
- 5.11 Self Assessment Questions and Exercises
- 5.12 Further Readings

## **UNIT 6 LAUNCHING THE NEW VENTURE**

**79-94**

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Choosing the Legal Form of New Venture
  - 6.2.1 Sole Proprietorship Form of Business Organization
  - 6.2.2 Partnership Form of Business Organization
  - 6.2.3 Corporate Form of Business Organization
  - 6.2.4 Franchising
- 6.3 Protecting Intellectual Property
  - 6.3.1 Establish Ownership over Innovations/Contributions
  - 6.3.2 Legal Issues
- 6.4 Marketing the New Venture
  - 6.4.1 Market Assessment
  - 6.4.2 Impact of Market Dynamics
  - 6.4.3 Achieving Market Acceptance
  - 6.4.4 Day-to-Day Operation
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

## **UNIT 7 MANAGING GROWTH IN NEW VENTURE**

**95-110**

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Characteristics of High Growth
  - 7.2.1 Characteristics of a High Growth Firm
- 7.3 Strategies for Growth
  - 7.3.1 Growth Direction Decision
  - 7.3.2 Growth Rate Decision
  - 7.3.3 Growth Strategies

- 7.4 Building the New Venture Human Capital
  - 7.4.1 Important Aspects of Human Management
  - 7.4.2 Managerial Slack and Growth Requirement
- 7.5 Answers to Check Your Progress Questions
- 7.6 Summary
- 7.7 Key Words
- 7.8 Self Assessment Questions and Exercises
- 7.9 Further Readings

## **UNIT 8 BUSINESS IDEAS**

**111-158**

- 8.0 Introduction
- 8.1 Unit Objectives
- 8.2 Business ideas: Project Identification and Formulation
  - 8.2.1 Classification of Projects
- 8.3 Project Feasibility Study
- 8.4 Project Appraisal Methods
  - 8.4.1 Project Design
  - 8.4.2 Network Analysis
  - 8.4.3 Financial Analysis and Evaluation
- 8.5 Answers to Check Your Progress Questions
- 8.6 Summary
- 8.7 Key Words
- 8.8 Self Assessment Questions and Exercises
- 8.9 Further Readings

## **BLOCK III: INSTITUTIONAL DEVELOPMENTS OF ENTREPRENEURS**

### **UNIT 9 FINANCING ENTREPRENEURS**

**159-177**

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Institutional Finance to Entrepreneurs
- 9.3 Role of Financial Institutions
  - 9.3.1 Industrial Finance Corporation of India (IFCI)
  - 9.3.2 Industrial Development Bank of India (IDBI)
  - 9.3.3 Industrial Credit Investment Corporation of India (ICICI)
  - 9.3.4 Industrial Reconstruction Bank of India (IRBI)
  - 9.3.5 Small Industries Development Bank of India (SIDBI)
  - 9.3.6 Life Insurance Corporation of India (LIC)
  - 9.3.7 State Financial Corporations (SFCs)
  - 9.3.8 Tamil Nadu Industrial Investment Corporation (TIIC)
- 9.4 Commercial Banks in Financial Role
  - 9.4.1 Appraisal by Bank for Loans
  - 9.4.2 Approaching Financial Institution for Loan
- 9.5 Answers to Check Your Progress Questions
- 9.6 Summary

- 9.7 Key Words
- 9.8 Self Assessment Questions and Exercises
- 9.9 Further Readings

**UNIT 10 PROMOTING AN ENTERPRISE** **178-203**

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Small-Scale Industries (SSI): Role and Growth
- 10.3 Regulations Governing Small Scale Industries
- 10.4 Incentives and Concessions Governing Small Scale Industries
- 10.5 Sickness in Small Industries
  - 10.5.1 Causes and Remedies for Industrial Sickness
- 10.6 Answers to Check Your Progress Questions
- 10.7 Summary
- 10.8 Key Words
- 10.9 Self Assessment Questions and Exercises
- 10.10 Further Readings

**UNIT 11 INSTITUTIONAL DEVELOPMENT OF ENTREPRENEURS** **204-233**

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Role of Support Agencies
  - 11.2.1 District Industries Centre (DIC)
  - 11.2.2 Small Industries Development Organisation (SIDO)
  - 11.2.3 Small Industries Service Institute (SISI)
  - 11.2.4 State Industries Development Corporation (SIDCO)
  - 11.2.5 Major Schemes of National Small Industries Corporation (NSIC)
  - 11.2.6 National Alliance of Young Entrepreneurs (NAYE)
  - 11.2.7 Khadi and Village Industries Commission (KVIC)
  - 11.2.8 Technical Consultancy Organizations (TCOs)
  - 11.2.9 Industrial and Technical Consultancy Organisation of Tamil Nadu Limited (ITCOT)
  - 11.2.10 Entrepreneurial Guidance Bureau
- 11.3 Incentives and Subsidies to Entrepreneurs: Problems and Prospectus
- 11.4 Developing Women and Rural Entrepreneurs: Entrepreneurial Motivation
- 11.5 Answers to Check Your Progress Questions
- 11.6 Summary
- 11.7 Key Words
- 11.8 Self Assessment Questions and Exercises
- 11.9 Further Readings

**BLOCK IV: ENTREPRENEURIAL CULTURE**

**UNIT 12 HARVESTING REWARDS** **234-248**

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Exit Strategies for Entrepreneurs
- 12.3 Bankruptcy

- 12.4 Succession and Harvesting Strategy
- 12.5 Answers to Check Your Progress Questions
- 12.6 Summary
- 12.7 Key Words
- 12.8 Self Assessment Questions and Exercises
- 12.9 Further Readings

**UNIT 13 PROGRAMMES FOR DEVELOPING ENTREPRENEURSHIP 249-259**

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Entrepreneurship Development Programmes and Recent Trends
  - 13.2.1 Seed Capital Assistance
  - 13.2.2 Capital Assistance/subsidy
  - 13.2.3 Backward Area Development Schemes
  - 13.2.4 Sales Tax Concession
  - 13.2.5 Energy GST Concessions
- 13.3 Answers to Check Your Progress Questions
- 13.4 Summary
- 13.5 Key Words
- 13.6 Self Assessment Questions And Exercises
- 13.7 Further Readings

**UNIT 14 ENTREPRENEURIAL CULTURE 260-270**

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Entrepreneurial Culture and Society
- 14.3 Intrapreneurship-Meaning, Importance and Implication
  - 14.3.1 Need, Types, Scope and Features
  - 14.3.2 Management of Change
  - 14.3.3 Special Programmes of Assistance to Entrepreneurship
- 14.4 Answers to Check Your Progress Questions
- 14.5 Summary
- 14.6 Key Words
- 14.7 Self Assessment Questions and Exercises
- 14.8 Further Readings