



## TEXTBOOK QUESTIONS SOLVED

Question 1. Answer each of these questions in about 15 words:

(i) Name any two institutions involved in Entrepreneurship Development Program.

(ii) Who is a social entrepreneur?

(iii) What are insurable risks?

(iv) What are non-insurable risks?

(v) What is economic barrier?

(vi) Give an example of a social entrepreneur.

Answer: (i) 1. National Institute for Entrepreneurship and Small Business Development (NIESBUD).

2. Indian Institute for Entrepreneurship.

3. National Institute for Micro, Small and Medium Enterprises (NIMSME).

(ii) According to Martin and Osberg, "The Social Entrepreneur aims for value in the form of large-scale transformational benefit that accrues either to a significant segment of society or to society at large." Moreover, "The social entrepreneur targets his/her programs at the underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own."

(iii) These are the risks which are related to life and property against fire, theft, accidents, etc. They are covered and protected by insurance.

(iv) These are the risks whose probability cannot be determined and which cannot be insured against. For example: Fluctuations in price and demand. These are further divided into two types

(a) Internal Risks: Those risks which arise from the events taking place within the business enterprise.

(b) Business risks: These are of a diverse nature and arise due to innumerable factors. These risks can be insurable or non-insurable.

(v) The factors of production land, labour, capital, material, etc. contribute equally towards the development of entrepreneurship in any country. If all the factors are readily available to the entrepreneurs, then entrepreneurship is naturally promoted and developed. But if any of the factor of production are not available or not readily available or available in inadequate quality and quantity, they can become barriers to entrepreneurship.

(vi) (a) Vinoba Bhave: He was the founder of the Bhudaan Andolan, which resulted in redistribution of more than 7,000,000 acres of land to aid India's untouchables and landless.

(b) Ela Bhatt: She founded Self-Employed Women's Association (SEWA) in 1972 is a trade union of poor, unorganised, self-employed women who work as vendors, hawkers and labourers.

Question 2. Answer each of these questions in about 50 words:

(i) What is business incubation?

(ii) Explain business intelligence.

(iii) List two examples of incubation centres in India

(iv) Write about any two innovations which led to entrepreneurial ventures.

(v) Differentiate between social entrepreneurship and entrepreneurship.

Answer: (i) Business incubation are programs designed to support

the successful development of entrepreneurial ventures through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Business support resources and services comprises of providing physical space, capital, coaching, networking connections, etc.

(ii) Business intelligence is the ability of an organization to collect, maintain, and organize data.

(iii) NZTE, Technology NZ.

(iv) (a) Potato Chips:

Aim: George Crum, a chef at the Carey Moon Lake House was trying to make a plate of fried potato.

Creation: One day, a customer repeatedly sent back the plate of potatoes for more frying and having thinner fried potatoes. In anger Crum sliced the potatoes insanely thin and fried them until they were hard as a rock. On serving it to the customer, the customer loved it and wanted more. This is how potato chips came into existence.

(b) The Pacemaker:

Aim: John Hopps, an electrical engineer was trying to use radio frequency heating to restore body temperature.

Creation: During his experiment, he realized that if a heart stopped beating due to cooling, it could be made to beat again by artificial stimulation. This led to the creation of pacemaker.

(v) Following is the difference between Entrepreneurship and Social Entrepreneurship:

(a) The entrepreneur's final objective is wealth creation but for the social entrepreneur, wealth creation is simply a means to an end.

(b) The entrepreneur participates in entrepreneurial venture with the aim of earning profit. On the other hand, the social entrepreneur participates in profit seeking business ventures if only to use the profits generated to create valuable social programs for the whole community.

(c) Entrepreneur has individual motive of self-development whereas social entrepreneur has the motive of societal development.

Question 3. Answer each of these questions in about 75 words:

(i) What is cloud computing?

(ii) How did KFC begin its operations?

(iii) Explain the various external factors which lead to business risk?

(iv) Enumerate three ways as to how incubators help start-ups get funding.

Answer: (i) The origin of the term cloud computing appears to be derived from the practice of using drawings of stylized clouds to denote networks in diagrams of computing and communications systems. The word cloud is used as a metaphor for the internet, based on the standardized use of a cloud-like shape to denote a network.

Cloud computing helps the firms to upload all its data on to a cloud and then it can be

used it remotely wherever it is required.

(ii) In 1930, Sanders was operating a service station in Corby, USA and he observed that travellers who stopped for gas were normally hungry and they wanted to eat something. Sanders saw and understood the problem. He knew how to cook, and so he cooked chicken recipe for the travellers. This spicy chicken recipe became super hit among travellers. This prompted him to start a restaurant which was beginning of the world famous fast food chain "KFC - Kentucky Fried Chicken".

(iii) The various external factors which may give rise to such risks are as follows:

1. Economic factors: These arise due to prevalent economic condition and changes in the prevailing market conditions. These can be of following types:

- changes in demand
- price fluctuations
- changes in tastes and preferences of the consumers
- changes in income, output or trade cycles
- increased competition for the product
- inflationary tendency in the economy
- rising unemployment
- fluctuations in world economy

For example: Audio cassette player to CD player

2.Natural factors: These are the unforeseen natural calamities like earthquake, flood, famine, cyclone, lightening, etc. These may cause loss and damage to life and property. Entrepreneurs have very little or no control. For example, the land slide in Uttarakhand damaged the business and have adversely affected the whole economy of the State.

3.Political factors: These are due to political changes in a country like

- fall or change in the Government,
- communal violence
- civil war
- hostilities with the neighbouring countries.
- changes in Government policies and regulations

4.Change in taste and preference: Tastes change with the change of time and factors.

For example: Earlier home made food was preferred and fast food was considered as luxury. In the present scenario, there has been an increase for the liking towards fast food.

(iv)Incubators help the companies/firms to secure capital in the following ways:

- Helps in connecting companies with angel investors (high-net-worth individual investors).
- Working with companies to perfect venture capital presentations and connecting them to venture capitalists.
- Helping and guiding companies in applying for loans.
- Helping and guiding companies in accessing government agency.

Question 4.Answer each of these questions in about 150 words:

(i) Explain the various internal factors which lead to business risk?

(ii) Explain in detail the personal barriers.

(iii) Explain.

(a) Smart, (b) Explain Information Collection as new business forms.

Answer: (i) Every business organization contains various risk elements while doing the business.

Business risks implies uncertainty in profits or danger of loss and the events that could pose a risk due to some unforeseen events in future, which causes business to fail. The Business risk is classified into different 5 main types:

1. Strategic Risk: They are the risks associated with the operations of that particular industry. These kind of risks arise from
  - Business Environment: Buyers and sellers interacting to buy and sell goods and services, changes in supply and demand, competitive structures and introduction of new technologies.
  - Transaction: Assets relocation of mergers and acquisitions, spin-offs, alliances and joint ventures.
  - Investor Relations: Strategy for communicating with individuals who have invested in the business.

2. Financial Risk: These are the risks associated with the financial

structure and transactions of the particular industry.

3. Operational Risk: These are the risks associated with the operational and administrative procedures of the particular industry.

4. Compliance Risk (Legal Risk): These are risks associated with the need to comply with the rules and regulations of the government.

5. Other Risks: There would be different risks like natural disaster(floods) and others depend upon the nature and scale of the industry.

(ii) Following are the personal barriers to entrepreneurship:

1. Perceptual: Perceptual barriers that can adversely affect the progress of an entrepreneur and the enterprise. Lack of proper knowledge, lack of clear vision, misunderstanding of a situation, etc. can result in a faulty decisions. These features leave the entrepreneur with limited options and stubbornness in the decisions.

2. Motivational: Regular motivation is an essential for keeping the same tempo in the enterprise. Lack of motivation becomes a strong barrier to entrepreneurship. Many entrepreneurs start with enthusiasm, but when they face some difficulties in the execution of their plans, they lose motivation.

(iii) (a) Smart Mobility: Those devices which are mobile help in the growth of business.

Smart mobility is changing the way people interact. Smart devices have become a part of our lives. It includes Mobiles, smart phones, I-pads, I-phones, etc.

In the last quarter of 2010, sales of smart phones overtook the sale of Personal Computers for the first time.

- By 2014, more smart devices could be used to access the internet than traditional computers.
- More mobile world is creating new players and new opportunities for a variety of industries.
- Smart mobility will enable firms to profit more quickly from new technology.

(b) Need of customer detail: In order to attract a customer, the entrepreneurs have

to know the customer in detail so that they can know about those customers who are loyal to their product and the company. ,

Understanding taste and preference of customers: Information collected about the customers related to age, regularity of customer to the shop, preference of purchase, etc. enable the firm to understand the taste and preference of the customer so that customer services can be improved in a better way. Competition: Firms are now competing on analytics to differentiate themselves. The growing number of methods of data collection, growing number of data collecting firms, ways of analysis are generating immense quantities of information.

Question 5. Answer each of these questions in about 250 words:

(i) Enumerate the characteristics of social entrepreneurs.

(ii) Explain in detail three new forms of business which is created because of technological changes.

(iii) Explain 'barriers to entrepreneurship'.

Answer: (i) Social entrepreneurs have following characteristics:

1. Social Catalysts: Social entrepreneurs are the visionaries who create fundamental, social changes by reforming social systems and creating sustainable improvements. Their efforts and actions have the potential to bring global improvements in the various fields like education, health care, economic development, the environment, the arts, etc.

2. Socially aware: Social improvement, is the ultimate goal of the social entrepreneurs. The success of their efforts is measured by their social changes and impact on various social groups of the society.

3. Opportunity-seeking: Social entrepreneurs view every obstacle as an opportunity. They develop their business on the same grounds.

4. Innovative: Social entrepreneurs are creative, willing to think differently and ready to apply ideas to new situations. They see failures as learning opportunities.

5. Resourceful: Social entrepreneurs' visions are not limited by the resources which they acquire or have but they actively expand their resource pool through positive collaboration with others.

6. Accountable: Social entrepreneurs are accountable to their beneficiaries like customers, investors, etc. and they often take measures to keep themselves on the right track by asking themselves,—Am I creating value for the people I am serving? Do I understand their needs?

(ii) (A) Business intelligence: Sales data during an off season discount produces

large amounts of information. This can be use for developing new opportunities. Implementing an effective strategy for the new opportunity for gaining competitive edge and having long-term stability.

The importance of business intelligence is as follows:

(a) Strategy: Business intelligence is used to make better strategic decisions.

(b) Data: Business intelligence, enables organizations to gather quantifiable data on each area of the organization.

(c) Analysis: Business intelligence, enables organizations to analyse data in a way that yields information they can act on.

(d) Efficiency: It helps firms to enhance decision-making, improve performance and mitigate risk.

(B) Smart Mobility: Those devices which are mobile help in the growth of business. Smart mobility is changing the way people interact. Smart devices have become a part of our lives. It includes mobiles, smart phones, I-pads, I-phones, etc.

- In the last quarter of 2010, sales of smart phones overtook the sale of Personal computers for the first time.
- By 2014, more smart devices could be used to access the internet than traditional computers.
- More mobile world is creating new players and new opportunities for a variety of industries.
- Smart mobility will enable firms to profit more quickly from new technology.

(iii) (a) Environmental Barriers to Entrepreneurship Following are the environmental barriers:

1. Economic: The factors of production land, labour, capital, material, etc. contribute equally towards the development of entrepreneurship in any country. If all the factors are readily available to the entrepreneurs, then entrepreneurship is naturally promoted and developed. But if any of the factor of production are not available or not readily available or available in inadequate quality and quantity, they can

2. Social: Sociological factors such as religion, caste structure, age groups, standard of living, mobility of labour, cultural heritage, respect for senior citizens, values, etc. have a deep impact on business. In India, attitudes have changed with respect to food and clothing, due to changes in educational pattern, rise in standard of living, increase in literacy rate among men and women, employment of women in factories and offices, etc. Due to it there is growth of food processing and garment manufacturing units.

3. Cultural: Every society has its own culture, cultural values, customs, beliefs and norms. If the culture of a society is encouraging creativity and risk-taking, entrepreneurship gets encouragement leading to development.

4. Political: Political factor provides the legal framework for the

functioning of the enterprises in the economy. Political environment poses challenge in front of entrepreneurs. Political environment is affected by political parties, stability of the government, government's interference in business world, taxation and subsidies policies, etc.

(b) Personal barriers. Following are the personal barriers to entrepreneurship:

1. Perceptual: Perceptual barriers that can adversely affect the progress of an entrepreneur and the enterprise. Lack of proper knowledge, lack of clear vision, misunderstanding of a situation, etc. can result in faulty decisions. These features leave the entrepreneur with limited options and stubbornness in the decisions.
2. Motivational: Regular motivation is an essential for keeping the same tempo in the enterprise. Lack of motivation becomes a strong barrier to entrepreneurship. Many entrepreneurs start with enthusiasm, but when they face some difficulties in the execution of their plans, they lose motivation.

#### Question 6. Higher Order Thinking Skills

Application based exercise:

Explain the success story of Lijjat Papad.

Answer: Lijjat Papad

- Started with a loan of Rs 80, the cooperative now has annual sales exceeding ₹ 301 crore.
- Lijjat was the brain child of seven Gujarati women from Bombay (now Mumbai).
- The women lived in Lohana Niwas, a group of five buildings in Girgaum. They wanted to start a venture to create a sustainable livelihood using the only skill they had i.e. cooking.
- The women borrowed Rs 80/- from Chhaganlal Karamsi Parekh, a member of the Servants of India Society and a social worker.
- They took over papad making venture which was running in loss owned by Laxmidas Bhai, and bought the necessary ingredients and the basic infrastructure required to manufacture papads.
- On March 15, 1959, they gathered on the terrace of their building and started with the production of 4 packets of papads. They started selling the papads to a known merchant in Bhuleshwar.
- Initially, the women were making two different qualities of papads, in order to sell the inferior one at a cheaper rate.
- Chaganbapa advised them to make a standard papad and asked them never to compromise on quality.
- Lijjat expanded as a cooperative system. Initially, even younger girls could join, but later eighteen was fixed as the minimum age of entry.
- Within three months there were about 25 women making papads.
- Soon the women bought some equipment for the business, like utensils, cupboards, stoves, etc. In the first year, the organization's annual sales were ₹ 6196/-. The broken papads were distributed among neighbours.
- During the first year, the women had to stop production for four months during the rainy season as the rains would prevent the drying of the papads. The next year, they solved the problem by buying a cot and a stove. The papads were kept on the cot and the stove below the cot so that the process of drying could take place in spite of the rains. By the second year of its formation, 100 to 150 women had joined the group, and by the end of the third year it had more than 300 members. The members were called as Ben/Sister.
- They have accountants in every branch and every centre has

to maintain daily accounts.

- Profit (or loss, if any) is shared among all the members of that branch.

They have a committee of 21, that decides how the profits are to be distributed.

- Each branch calculates its profit and divides it equally among all its members.
- Mumbai has 12,000 members, the rest of Maharashtra has 22,000, and Gujarat has between 5,000 to 7,000 members. Exports alone account for ? 10 crores.

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