

# FACULTY OF JURIDICAL SCIENCES

# Lecture-11



# NATURE OF ENTREPRENEURSHIP

## **Creation of Enterprise**

Entrepreneurship is a process that refers to the creation and running of a new enterprise. It is an activity under which a person called an entrepreneur starts a new venture using a new idea.

## **Economic Activity**

Entrepreneurship is an economic activity as it involves creating and running a new business through optimum utilization of all combined resources. It ensures that all scarce resources are efficiently used for deriving better returns in the form of profit.

## **Innovation and Creativity**

It is the process of discovering new ideas and concepts and implementing them in business ventures. Entrepreneurship involves bringing innovation in the market by introducing new products or process that delivers better service.

## **Risk Bearing**

It is an activity which involves huge risk which every entrepreneur needs to undertake for starting a venture. New ideas developed and implemented by the entrepreneur are uncertain and may result in losses.

## **Profit**

Profit earning is the sole objective of an entrepreneur for undertaking risk. Entrepreneurs start a new venture with a view to earning profits.

## **Gap Filling**

Entrepreneurship is a process of recognizing and filling the gap between customer needs and available products or services. It focuses on removing the deficiencies from the currently available products to fulfill the needs of customers.

## **Organizing Function**

It is an organizing function that brings together different factors of production like land, labor, and capital. Entrepreneurship is concerned with coordinating and managing all resources engaged within the enterprise.

# **ELEMENTS OF ENTREPRENEURSHIP**

## **Economic and Dynamic Activity**

Entrepreneurship is an economic activity as it entails the creation and operation of an enterprise with a view of creating value or wealth by ensuring optimum utilization of scarce resources. These activities are performed on a continuous basis in an uncertain environment; hence it is regarded as a dynamic force.

## **Associated To Innovation**

Entrepreneurship deeply involves a search for new ideas on a continuous basis. It forces an individual to evaluate the existing modes of business operations continuously so as to evolve and adopt the more efficient and effective system.

## **Profit Potential**

Profit potential is the likely level of return to the entrepreneur for captivated on the risk of developing an idea into an actual business venture. Without profit perspectives, the efforts of entrepreneurs would remain only a non-figurative and merely theoretical activity.

## **Creative and Purposeful Activity**

Entrepreneurship is a creative and purposeful activity. It is a creative answer to the changing environment. Earning profit may not be sole objective but the introduction of something creative and new is the purpose of entrepreneurship

## **Risk Bearing**

The core of entrepreneurship is the “willingness to assume risk arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive. An entrepreneur has to have the patience to see his effort bear fruit. In the intervening period, an entrepreneur has to assume the risk.

# Importance of Entrepreneurship

- **Creation of Employment-** Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.
- **Innovation-** It is the hubs of innovations that provides new product ventures, market, technology and quality of goods, etc., and increase the standard of living of people.
- **Impact on Society and Community Development-** A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, and a higher level of homeownership. Therefore, entrepreneurship assists the organization towards a more stable and high quality of community life.
- **Increase Standard of Living-** Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.
- **Supports research and development-** New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.