

# CHAPTER 5

## ENTREPRENEURSHIP

### Learning Objectives:

- To introduce the concept of entrepreneur and entrepreneurship.
- Discuss characteristics and functions of entrepreneur.
- Present the classifications of entrepreneurs.
- Introduce the concepts of intrapreneur, ultrapreneur and technical entrepreneur.
- Trace the evolution of entrepreneurship.
- Present the role of entrepreneurship in economic development.
- Discuss the stages in entrepreneurial growth.
- Present the barriers to entrepreneurship.

### 5.1 EVOLUTION OF CONCEPT OF ENTREPRENEUR

The word 'entrepreneur' is derived from French word 'Entreprendre' which was used to designate an organizer of musical or other entertainments. Later in 16<sup>th</sup> century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17<sup>th</sup> century. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, an entrepreneur is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views.

### 5.2 CONCEPT OF ENTREPRENEUR

As said above entrepreneur is used in various ways and various views. These views are broadly classified into three groups, namely risk bearer, organizer and innovator.

**Entrepreneur as risk bearer:** Richard Cantillon defined entrepreneur as an agent who buys factors as production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays contractual incomes, which are certain to land owners and laborers, and sells at prices that are 'uncertain'. He includes merchants also who make certain payments in expectation of uncertain receipts. Hence both of them are risk-bearing agents of production.

P.H. Knight described entrepreneur to be a specialized group of persons who bear uncertainty. Uncertainty is defined as risk, which cannot be insured against and is incalculable. He made distinction between certainty and risk. A risk can be reduced through the insurance principle, where the distribution of outcome in a group of instance is known, whereas uncertainty cannot be calculated.

**Entrepreneur as an organizer:** According to J Baptist Say "an entrepreneur is one who combines the land of one, the labor of another and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to laborers and what remains is his/her profit". Say made distinction between the role of capitalist as a financier and the entrepreneur as an organizer. This concept of entrepreneur is associated with the functions of co-ordination, organisation and supervision.

**Entrepreneur as an innovator:** Joseph A Schumpeter in 1934 assigned a crucial role of 'innovation' to the entrepreneur. He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production, i.e. innovations. The introduction of new combination according to him, may occur in any of the following forms.

- (a) Introduction of new product in the market.
- (b) Use of new method of production, which is not yet tested.
- (c) Opening of new market.
- (d) Discovery of new source of raw materials.
- (e) Bringing out of new form of organisation.

Schumpeter also made distinction between inventor and innovator. An inventor is one who discovers new methods and new materials. An innovator utilizes inventions and discovers in order to make new combinations.

Hence the concept of entrepreneur is associated with three elements risk-bearing, organizing and innovating. Hence **an entrepreneur can be defined as a person who tries to create something new, organizes production and undertakes risks and handles economic uncertainty involved in enterprise.**

Some more important definitions of entrepreneur

**1. According to F.A.Walker:** "Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises".

2. **Marx** regarded entrepreneur as social parasite.

3. **According to Gilbraith:** “An entrepreneur must accept the challenge and should be willing hard to achieve something”.

4. **Peter F. Drucker** defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

5. **According to E.E.Hagen:** “An entrepreneur is an economic man who tries to maximize his profits by innovation, involve problem solving and gets satisfaction from using his capabilities on attacking problems”.

6. **According to Mark Casson:** “An entrepreneur is a person who specializes in taking judgmental decision about the coordination of scarce resources”.

7. **Frank Young** defined entrepreneur as a change agent.

8. **According to Max Weber:** “Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs”.

9. **International Labour Organization (ILO)** defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.

10. **Akhouri** describes entrepreneur as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concern for excellence, and who is persistent in achieving the goal.

### 5.3 CHARACTERISTICS OF ENTREPRENEUR

Entrepreneur is a person of telescopic faculty drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneur needs to possess competencies to perform entrepreneur activities. Table 5.1 gives core competencies.

**Table 5.1: Personal entrepreneurial characteristics**

	<b>Core competencies</b>	<b>Entrepreneurial activities</b>
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.

*Contd...*

5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm.
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market.

#### 5.4 DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

Often the two terms namely entrepreneur and manager are considered as synonym. However the two give different meaning. The major points of distinction between the two are presented in table 5.2.

**Table 5.2:** Distinction between entrepreneur and manager

Points	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
2. Status	Owner	Servant
3. Risk	Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
4. Rewards	Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
5. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
6. Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

## 5.5 TECHNICAL ENTREPRENEUR

There are large number of technical institutions at the degree and diploma level producing large number of technical personnel. The standard of our technical education is comparable with international standards. India has the third largest pool of technical and scientific personnel in the world. However, we are not able to utilize its full potential and on the other hand there is surplus technical manpower that are unemployed. This large pool of technical manpower can be best utilized for developing small-scale industries in the hi-tech areas using improved technologies and scientific methods of production. They can be trained to use latest management techniques to manage the projects they set up.

A technically qualified and experienced person can make a more competent entrepreneur as he acquires special knowledge of science, engineering materials and machines, production planning and control, manufacturing technologies and management techniques for successful launching and smooth running of an industrial unit. Also through training, he develops an aptitude for objective considerations and evaluation of issues involved in the process of an enterprise.

A technical entrepreneur develops characteristics of quality consciousness, adoption of modern technology and management technique and realization of the importance of research and innovation for productivity improvement, the absence of which can lead to industrial sickness.

In this regard many technical universities made it mandatory for technical institute to have Entrepreneurship Development Cell (EDC). Moreover a core subject on 'Entrepreneurship Development' is introduced for all disciplines of engineering and technology.

## **5.6 CHARMS OF BEING AN ENTREPRENEUR**

The most exiting part of Entrepreneurship is that you are your own master. When you are an employee, you work for others according to their plans, whims and finances. In an Entrepreneurship, it is you who set the goal, plan the action and reap the satisfaction and rewards of having achieved the goal.

Why should you become an Entrepreneur?

- ◆ You will be your own boss and boss to other people and make decisions that are crucial to the business success or failure.
- ◆ You will make money for yourself rather than for someone else.
- ◆ You may participate in every aspect of running a business and learn and gain experience in a variety of disciplines.
- ◆ You will have the chance to work directly with your customers.
- ◆ You will have the personal satisfaction of creating and running a successful business.
- ◆ You will be able to work in a field of area that you really enjoy.
- ◆ You will have the chance to build retirement value.

### **Rewards for an Entrepreneur**

1. Freedom to work.
2. Satisfaction of being own boss.
3. Power to do things as he likes.
4. Rewards of ownership and retirement assurance.
5. Respect of family and friends.

### **Penalties for an Entrepreneur**

1. Constraints of financiers, laborers, customers, suppliers, and debtors curtail his freedom.
2. Frustration due to availability of limited capital and other resources.
3. Social and family life is affected due to hard long hours of working.
4. Frustration due to non-achievement of full objectives.
5. Risk of failure.

## 5.7 FUNCTIONS OF AN ENTREPRENEUR

An Entrepreneur has to perform a number of functions right from the generation of idea up to the establishment of an enterprise. He also has to perform functions for successful running of his enterprise. Entrepreneur has to perceive business opportunities and mobilize resources like man, money, machines, materials and methods. The following are the main functions of an Entrepreneur.

1. **Idea generation:** The first and the most important function of an Entrepreneur is idea generation. Idea generation implies product selection and project identification. Idea generation is possible through vision, insight, keen observation, education, experience and exposure. This needs scanning of business environment and market survey.
2. **Determination of business objectives:** Entrepreneur has to state and lay down the business objectives. Objectives should be spelt out in clear terms. The Entrepreneur must be clear about the nature and type of business, i.e. whether manufacturing concern or service oriented unit or a trading business so that he can very well carry on the venture in accordance with the objectives determined by him.
3. **Rising of funds:** All the activities of the business depend upon the finance and hence fund rising is an important function of an Entrepreneur. An Entrepreneur can raise the fund from internal source as well as external source. He should be aware of different sources of funds. He should also have complete knowledge of government sponsored schemes such as PMRY, SASY, REAP etc. in which he can get government assistance in the form of seed capital, fixed and working capital for his business.
4. **Procurement of machines and materials:** Another important function of an Entrepreneur is to procure raw materials and machines. Entrepreneur has to identify cheap and regular sources of raw materials which will help him to reduce the cost of production and face competition boldly. While procuring machineries he should specify the technical details and the capacity. He should consider the warranty, after sales service facilities etc before procuring machineries.
5. **Market research:** Market research is the systematic collection of data regarding the product which the Entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently to know the details of the intending product, i.e. the demand for the product, size of the market/customers, the supply of the product, competition, the price of the product etc.
6. **Determining form of enterprise:** Entrepreneur has to determine form of enterprise depending upon the nature of the product, volume of investment etc. The forms of ownership are sole proprietorship, partnership, Joint Stock

Company, co-operative society etc. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.

7. **Recruitment of manpower:** To carry out this function an Entrepreneur has to perform the following activities.
  - (a) Estimating man power requirement for short term and long term.
  - (b) Laying down the selection procedure.
  - (c) Designing scheme of compensation.
  - (d) Laying down the service rules.
  - (e) Designing mechanism for training and development.
8. **Implementation of the project:** Entrepreneur has to develop schedule and action plan for the implementation of the project. The project must be implemented in a time bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun. He has to organize various resources and coordinate various activities. This implementation of the project is an important function of the Entrepreneur.

All the above functions of the Entrepreneur can precisely be put into three categories of innovation, risk bearing, and organizing and managing functions.

## 5.8 TYPES OF ENTREPRENEUR

Today various types of Entrepreneurs are found engaged in different types of activities, not only in industrial activities but also in agriculture and commercial activities. Today we can recognize Entrepreneur in industry, service and business sectors which are technically called as ISB sectors. Entrepreneurs are classified in a number of ways as discussed below.

### abec20bdf23c76ff85bf3fcbe326233c ebrary Clearance Danhof's Classifications

Danhof classifies Entrepreneur into four types.

1. **Innovative entrepreneur:** This category of Entrepreneur is characterized by smell of innovativeness. This type of Entrepreneur, sense the opportunities for introduction of new ideas, new technology, discovering of new markets and creating new organizations. Such Entrepreneur can work only when certain level of development is already achieved and people look forward to change and improve. Such Entrepreneur are very much helpful for their country because they bring about a transformation in life style.
2. **Adoptive or imitative entrepreneur:** Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner. Instead of innovation, may just adopt the technology and methods innovated by others.



Such types of entrepreneur are particularly suitable for under-developed countries for imitating the new combination of production already available in developed countries.

3. **Fabian entrepreneurs:** Fabian entrepreneurs are characterized by great caution and skepticism, in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises.
4. **Drone entrepreneurs:** Such entrepreneurs are conservative or orthodox in outlook. They always feel comfortable with their old fashioned technology of production even though technologies have changed. They never like to get rid of their traditional business, traditional machineries and traditional system of business even at the cost of reduced returns.

### Arthur H Cole Classification

Arthur H Cole classifies entrepreneurs as empirical, rational and cognitive entrepreneur.

**Empirical:** He is entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.

**Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes, which look more revolutionary.

**Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

### Classification Based on the Scale of Enterprise

**Small scale:** These entrepreneurs do not possess the necessary talents and resources to initiate large-scale production and to introduce revolutionary technological changes.

**Large scale:** They possess the necessary financial and other resources to initiate and introduce new technological changes. They possess talent and research and development facilities.

### Other Classification

Following are some more types of entrepreneurs listed by behavior scientists.

**Solo operators:** These are the entrepreneurs who essentially work alone, introduce their own capital and if essential employ very few employees. In the beginning most of the entrepreneurs start their enterprises like them.

**Active partners:** Such entrepreneurs jointly put their efforts and resources. They actively participate in managing the daily routine of the business concern. Entrepreneurs who only contribute their funds but not actively participate in the business are called simply 'Partners'.

**Inventors:** Such entrepreneurs are creative in character and feel happy in inventing new products, technologies and methods of production. Their basic interest lies in research and innovative activities.

**Challenge:** According to such entrepreneurs, if there is no challenge in life, there is no charm in life. Such entrepreneurs plunge into industry/business because of the challenge it presents. When one challenge seems to be met, they begin to look for new challenges. They convert odds and adversities into opportunities and make profit.

**Buyers:** These are the entrepreneurs who do not like to face the hassles of building infrastructure and other facilities. They simply purchase the existing one and by using their experience and expertise try to run the enterprise successfully.

**Life timers:** Such entrepreneurs take business as an integral point of their life. Family enterprises, which mainly depend on exercise of personal skill, fall in this category.

**Industrial entrepreneurs:** Such entrepreneurs engage in manufacturing and selling products.

**Service entrepreneurs:** Such entrepreneurs engage in service activities like repair, consultancy, beauty parlor etc where entrepreneurs provide service to people.

**Business entrepreneurs:** They are also called as trading entrepreneurs which buy and sell goods.

**Agricultural entrepreneurs:** They engage themselves in agricultural activities like horticulture, floriculture, animal husbandry, poultry etc.

**Corporate entrepreneurs:** Corporate entrepreneurs undertake their business activities under legally registered company or trust.

**Rural entrepreneurs:** Entrepreneur's selecting rural-based industrial opportunity in either khadi or village industries sector or in farm entrepreneurship are regarded as rural entrepreneurs. According to khadi and village industry commission (KVIC) Village or rural industry means any industry located in rural area, population of which do not exceed 10,000 which produces any goods or services in which fixed investment of an artisan or a worker does not exceed one thousand rupees.

**Women entrepreneurs:** According to government of India an entrepreneurs is defined as an enterprise owned and controlled by 16 a woman and having minimum financial interests of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women. Women entrepreneurs play an important role in economy especially in rural areas.

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**Learning activity 5.1:** Visit industrial estate of your city/district, survey the industries and classify them.

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## 5.9 INTRAPRENEURS

A new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called as 'Intrapreneurs'. In large organizations, the top executives are encouraged to catch hold of new ideas and then convert them into products through R and D activities within the framework of organizations. It is found in developed countries that such Intrapreneurs in large number are leaving the organization and started their own enterprises. Many of such Intrapreneurs have become exceedingly successful in their ventures. The difference between entrepreneurs and Intrapreneurs is given in table 5.3.

## 5.10 ULTRAPRENEURS

Through the entrepreneurship has been there for a long time, its performance and execution evolve with the prevalent economic conditions of the day. The entrepreneurs of the 90s are a different breed in relation to their immediate predecessors from the 80s. Thus, the path of successful entrepreneurship is ever changing as the art and science of entrepreneurship, is taking a new colors. Now-a-days new products and services are conceived, created, tested, produced and marketed very quickly and with great speed. Therefore today's entrepreneurs need to have different mindset about establishing and operating a company. This mindset is what is called ultrapreneuring.

**Table 5.3:** Difference between entrepreneurs and intrapreneurs

	<b>Entrepreneurs</b>	<b>Intrapreneurs</b>
1. Dependency	He is independent in his operation.	He is dependent on the entrepreneurs i.e. owner.
2. Raising of funds	He himself raises funds required for the organization.	He does not raise funds for the organization.
3. Risk	Entrepreneurs bears the risk involved in the business.	He does not fully bear the risk involved in the organization.
4. Operation	An entrepreneur operates from outside. Entrepreneurs converts the ideas into viable opportunities. Entrepreneurs takes the profit of the business.	An intrapreneur operates from inside. Intrapreneurs takes the responsibility of creating innovation. He is provided with a variety of perquisite for his innovation.

According to James B Arkebaaur, the concept of ultrapreneuring is to identify business opportunity, determine its viability and form a company. It requires assembling a super competent management team who then develop, produce and market the product or service. They then sell the majority interest of the company, all of this with maximum resource leverage of both talent and money in the shortest optimum time period. Ultra growth companies are not made to pass on to the next generation.

Ultrapreneurs create them and then sell out, merge or combine. Their life long challenge is to do it again and over again.

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**Learning activity 5.2:** with respect to industries surveyed for previous activity find out whether technology used is an imported one or indigenous. Describe the reasons for the use of imported /indigenous technology.

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## 5.11 CONCEPT OF ENTREPRENEURSHIP

Entrepreneurship is an elusive concept. The concept of entrepreneurship has been a subject of much debate and is defined differently by different authors. Some of them view it as 'risk-bearing'; others call it as 'innovations', yet others consider it as 'thrill-seeking'. In a conference of entrepreneurship held in USA, it is defined, as **"Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition"**.

A.H. Cole has defined entrepreneurship as "the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profit by production and distribution of economic goods and services".

According to Heggins "Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top manager's of day-to-day operations.

According to Joseph A Schumpeter entrepreneurship is essentially a creative activity. It consists of doing such things as are not generally done in ordinary course of business. An entrepreneur is one who innovates i.e., carries out new business.

According to Mc Clelland, there are two characteristics of entrepreneur: first is doing a thing in a new and better way, second is decision making under uncertainty.

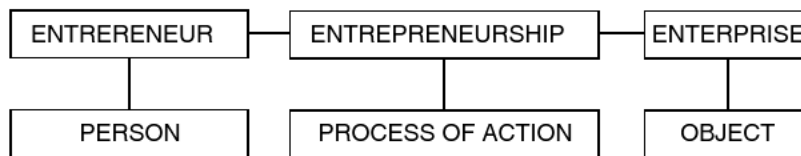
The various definitions of entrepreneurship identify two basic elements of entrepreneurship namely innovation and risk bearing.

**Innovation:** Innovation is doing something new or something different. Entrepreneurs constantly look out to do something different and unique to meet the changing requirements of the customers. Entrepreneurs need not be inventors of new products or new methods of production or service, but may possess the ability of making use of the inventions for their enterprises. For example, in order to satisfy the changing needs of the customers, now-a-days fruit juice (mango, fruits etc.) in being served in tins, instead of bottles so that customers can carry it and throw away the containers after drinking the juice. Ratan Tata did not invent automobile. Foreseeing the peoples desire

to have small cars at lower price, he applied new methods of mass manufacturing, made use of new, lights and relatively cheaper materials. Hence entrepreneurship needs to apply inventions on a continuous basis to meet customers changing demands for products.

**Risk bearing:** Giving birth to a new enterprise involves risk. Doing something new and different is also risky. The enterprise may earn profit or incur loss, which depends on various factors like changing customer preferences, increased competition, shortage or raw materials etc. An entrepreneur needs to be bold enough to assume the risk involved and hence an entrepreneur is a risk-bearer not risk-avoider. This risk-bearing ability keeps him to try on and on which ultimately makes him to succeed. The Japanese proverb “Fall seven times, stand up eight” applied to entrepreneur.

Though the terms entrepreneur and entrepreneurship are used interchangeable, yet they are conceptually different. The relationship between the two is indicated in fig. 5.1 and table-5.4.



**Fig. 5.1:** Concept of entrepreneurship

**Table 5.4:** Relationships between entrepreneur and entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organizer	Organization
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualizes	Vision
Leader	Leading
Imitator	Imitation

**Learning activity 5.3:** Meet two to four entrepreneurs and list their competencies which helped their enterprises.

## 5.12 EVOLUTION OF ENTREPRENEURSHIP

Emergence of entrepreneurial class is as old as our ancient history itself. It dates back to the Pre-Vedic period when Harappan culture flourished in India. History of

entrepreneurship and emergence of entrepreneurial class in India may be presented in two sections viz. entrepreneurship during pre-independence and post-independence.

**Entrepreneurship during pre-independence:** In the excavation in Harappan and Mohanjodaro the handcraft items and metal molded items were found. It is also found that the craftsmen of the time made, handicraft items as part of their contribution to the society in which they lived. The entrepreneurship to make handicraft items existed in India around 2500 B.C. People developed their own social system and village economy in India. India also developed cast-based divisions of work, which helped in the development of skills of artisans.

The artisans in different parts of India grouped together and developed their own artifacts and were well known for their quality. The cities like Banaras, Gaya, Puri, Allahabad and Mirzapur, which were on the banks of Ganga River, established their own type of handicrafts work. The royal patronage by the local kings of that period helped artisan industries to flourish. The handicrafts industry of the time was basically skill based and started as tiny sector.

The population in India grew in the middle age and spread to the full geographical area. The local kings gave patronage to the handicrafts, silk, cotton-ware and development of other cottage based industries for consumption of higher section of the society. The development of agriculture products like spices, Ayurvedic medicines also flourished in some parts of the country and started export them. Spices from Kerala, Corah from Bengal, Shawls from Kashmir and Banaras, brass and Bidriware, Silk from Nagpur and Mysore enjoyed prestigious status in international market till earlier years of 18<sup>th</sup> century. The craftsmen gathered together in halls, which were called 'Karkhanas'.

Unfortunately the prestigious Indian handicrafts industries which were basically a cottage and tiny sector declined at the end of 18<sup>th</sup> century, because of the following reasons.

1. Disappearance of royal patronage to the handicrafts
2. Lukewarm attitude of British colonial towards Indian crafts
3. Imposition of heavy duty on imports of Indian crafts
4. Low priced British made goods
5. Changes in the tastes and habits of developing Indian citizens etc.

In other words East India Company handicapped Indian cottage and tiny sectors. The company injected various changes in the Indian economy by exporting raw materials and import of finished goods in India. 'Parsis' established good report with company. The company established the first shipbuilding industry in Surath and from 1673 Parsis started manufacturing vessels for the company. In 1677 Manjee Dhanjee was given the contract of building large gun-powder-mill in Bombay. In 1852 a Parsi foreman who was working in the gun factory started steel industry in Bombay. That

is to say East India Company made some contribution toward entrepreneurial growth in India.

The actual emergence of manufacturing enterprise can be noticed in the second half of nineteenth century. In 1854 Cowasjee Nanabhoy started textile mill at Bombay, R. Chotelal started textile mill in 1861 in Ahamdabad, and in 1880 Nawrojee Wadia opened a mill in Bombay. Jamshadjee Tata established first steel industry in 1911. Though late, other commercial community namely jains, vaishyas changed their attitude from commercial entrepreneurship to industrial entrepreneurship.

The 'swadeshi' campaign provided a seed bed for inculcating and developing nationalism in the country. Jamshadjee Tata was influenced by this and named his first mill 'swadeshi mill' and Krishna in its advertisement made the appeal "our concern is financed by native capital and is under native management throughout".

After the first world war the Indians agreed to 'discriminating' protection to certain industries and made companies should be registered in India with rupees capital and have a proportion their directors as Indians. These measures helped in establishing and extending the factory manufacturing in India during the first four decades of 20<sup>th</sup> century during which the relative importance of Parsis declined and Gujarati's, Marawaris, and Vaishyas gained their importance in India's entrepreneurial scene.

The emergence of managing agency system triggered Indian entrepreneurship. In 1936 Carr, Tagore & Co assumed the management of Calcutta steam tug association. Dwarakanath Tagore encouraged others to form joint-stock companies in which management remains in the hands of 'firm' rather than 'individual'. The European management agency houses, after East India Company loosing its monopoly entered business, trade and banking. It is stated that the managing agency houses were the real entrepreneurs and these agency houses emerged to overcome the limitations imposed by shortage of venture capital and entrepreneurial acumen.

**Entrepreneurship during post-independence:** In 1948 Indian government came forward with the first Industrial policy, which was revised from time to time. The government identified the responsibility of the state to promote, assist and develop industries in the national interest and recognized the role of private sector in accelerating industrial development.

The government took three important measures namely:

1. To maintain a proper distribution of economic power between private and public sector.
2. To encourage industrialization from existing centers to other cities, towns and villages.
3. To disseminate the entrepreneurship acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social state.

To achieve this, government accorded emphasis on development of small scale industries in the country by providing various incentives and concessions in the form of capital, technical know-how markets and land to the entrepreneurs in the potential areas to remove the regional imbalances in development. To facilitate the new entrepreneurs in settings up their enterprises, Government established several institutions like Directorate of Industries, Financial Corporations, small scale industries corporations, small industry service institutes etc. Because of this small-scale units emerged very rapidly and their number increased from 1,21,619 in 1966 to 1,90,727 in 1970. There are also examples that some entrepreneurs grew from small to medium-scale and from medium to large scale manufacturing units during the period.

With the invention of digital computer, information technology era started in 1970. IBM was one of the pioneers in this field. The software developments created new opportunities and the service industries started growing faster than manufacturing industry after 1980. The high growth of new industries also had high risks. The new top rated entrepreneurship opportunities arose such as communication, food services, entertainment, merchandising, cosmetics, and apparel with the electronic communication reducing the distances to a Global Village. The market size is growing and the entrepreneur has to benchmark himself with the global standards.

### **5.13 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

Economic development essentially means a process of upward change whereby the real per capita income of a country increases for a long period of time. The economic history of the presently developed countries, for example, USA and Japan tends to support the facts that the economy is an effect for which the entrepreneurship is the cause. The crucial role played by the entrepreneurs in the western countries has made the people of underdeveloped countries conscious of the significance of entrepreneurship in economic development. After the Independence, India has realized that, for achieving the goal of economic development, it is necessary to increase the entrepreneurship both qualitatively and quantitatively in the country. Parson and Smelter described entrepreneurship as one of the two necessary conditions for economic development, the other being increased output of capital. Y.A. Say high describes entrepreneurship as a necessary dynamic force for economic development. The important role that an entrepreneurship plays in the economic development of an economy can be put in a more systematic manner as follows.

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
2. It provides immediate large-scale employment. Thus it helps to reduce unemployment in the country.
3. It provides balanced regional development.
4. It helps reduce the concentration of economic power.



5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. It encourages effective resources mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulated the process of economic development in the country.
8. It promotes country's export trade i.e. an important ingredient for economic development.

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**Learning activity 5.4:** Visit a technical entrepreneur and find the benefits/advantages of technical entrepreneur over others.

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## 5.14 STAGES IN THE ENTREPRENEURIAL PROCESS

Entrepreneurship is a process of comprising several distinct stages. The first stage in the entrepreneurial process is some change in the real world. For example, a war may destroy country's manufacturing facilities but spare its trained work force that has happened in West Germany during Second World War. Such a change leads to changes in every aspect of life in the country. It creates needs for new goods and services. The distraction of Japan's industry during the Second World War allowed the country to rebuild its industry from scratch.

The second stage in the entrepreneurial development is the 'idea'. For example, microprocessor, the brain of personnel computer had been in the American market since the early 1970s. A company called 'Altair' had put out a computer that was so personal that one had to put it together oneself. But it was Apple Computer, which perceived that computer market was potentially very big.

One may become an entrepreneur in various ways. He may start a new enterprise. Alternatively he may acquire a franchise. Franchising is an entrepreneurial system whereby an individual runs a business based on the right to make a product or service granted by a manufacturer or other organization. Intrapreneuring is another strategy. It is the process of extending the firms domain of competence by exploiting new opportunities through new combinations of its existing resources.

## 5.15 BARRIERS TO ENTREPRENEURSHIP

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. The greatest barrier to entrepreneurship is the failure of success. Karl. H. Vesper has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge

3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know how
6. Complacency—lack of motivation
7. Social stigma
8. Time presence and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents

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## CHAPTER SUMMARY

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An entrepreneur is a person who buys factor services at certain prices with a view to selling its products at uncertain prices. Entrepreneur is a dynamic agent of change. An entrepreneur is a person of telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneur needs to possess some core competencies like innovative, perceiving opportunities, persistence, information gathering, concern for quality, planning, problem solving etc. a clear distinction can be made between an entrepreneur and a manager. An entrepreneur has to perform various functions like idea generation, determination of business objectives, raising of funds, procurement of machines and materials, market research, deciding forms of ownership, recruitment of man power etc. entrepreneurs can be classified based on various factors. Intrapreneurs take the responsibility of innovation.

Entrepreneurship is purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or earn profit by production and distribution of economic goods or services. It is an act of starting and running an enterprise. Entrepreneurship is as old as ancient history itself and dates back to pre-Vedic period when Harappan culture flourished in India. The artisans and royal patronage of Indian kings have contributed for the entrepreneurship in the early ages of Indian history. East India Company handicapped the Indian tiny and cottage industries. Later Parsi's, Jain's and Vaishya's have contributed for the growth of entrepreneurship. The managing agency system and the Swadeshi movement have contributed for the growth of entrepreneurship in India.

After independence, the Government of India has taken measures for growth of industries through her Industry Policy Resolutions. There are many barriers to the entrepreneurship. They may be lack of viable concept, lack of market knowledge, lack of skills, lack of seed capital etc.

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## QUESTIONS

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1. Explain in brief the concept of entrepreneur.
2. Give various definitions of entrepreneur.
3. Enumerate the characteristics of entrepreneur.
4. Distinguish between entrepreneur and manager.
5. Write a note on technical entrepreneur.
6. What are the rewards and penalties for entrepreneurs?
7. Explain in brief the functions of entrepreneur.
8. Explain in brief classification of entrepreneurs.
9. Distinguish between entrepreneur and Intrapreneur.
10. Write a note on ultrapreneur.
11. Explain in brief the concept of entrepreneurship.
12. Explain in brief the evolution of concept of entrepreneurship in India.
13. Explain in brief the role of entrepreneurship in economic development.
14. Explain in brief the stages in entrepreneurial process.
15. Write a note on barriers of entrepreneurship.

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