## CHAPTER II

Entrepreneur and Entrepreneurship

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CHAPTER II

Entrepreneur and Entrepreneurship

"One of the primary reason why economic growth has not had an impact on lives of ordinary people is the current state of India's backwardness in human development"*

Mahbul Ul-Haq

2.1 Introduction:

The existence of entrepreneurs and entrepreneurship is probably as old as human activity. But it is only in recent years that realization has dawned that entrepreneurs and entrepreneurship have a special role to play in social and economic development. Perhaps, in the earlier days, an entrepreneur and entrepreneurship were just facts like anything else. But subsequently, they became objects of speculative curiosity, at a still later stage perhaps, they became worthy of scientific curiosity.

Further, it has also been realized that entrepreneurship is not merely the private economic activity of a few people but a phenomenon with crucial social implications. A few years ago, an entrepreneur could have been defined as anyone who initiates and manages some sort of economic activity and entrepreneurship was the term used to describe the quality or ability demonstrated by an entrepreneur. But development in the fields of economics, sociology, psychology, management and other sciences have altered the meaning of the two terms so much that the original attempts at defining an entrepreneur pale into insignificance.

* Indian Human Development Report 1999
Since long entrepreneurship has been recognized as an essential ingredient of economic development. In the early 16th century the term entrepreneur was used for "army leader". It was applied to business for the first time in 18th century, to designate a dealer who buys and sells goods at uncertain prices. To Schumpeter (1961) an entrepreneur was a "dynamic agent of change", or the catalyst who transformed increasingly physical, natural and human resources into corresponding production possibilities.

Encyclopedia Britannica defines entrepreneur as "an individual who bears the risk of operating a business in the face of uncertainty about future conditions".

2.2 Definitions of Entrepreneur:

In every lay parlance the word entrepreneur has wide ranging connotations. We might as easily apply the term to a local person often engaged in conventional long established traders. An entrepreneur must have the energy to act and the drive not to be discouraged by obstacles.

Unfortunately there is no consensus on the definition of entrepreneur and entrepreneurship. Among economists, entrepreneurs are at varying degrees associated with risk – taking, innovativeness, alertness to and exploitation of opportunity and creation or coordination of firms and markets. Among non-economists the definition vary even more. In Empirical research, the terms have been associated predominantly with the start-up of new firms or ownership-management of a small firm sometimes with innovativeness or success as additional criteria.

Richard Cantillon (1685-1734) an Irishman living in France called entrepreneur as one who buys factor services at certain prices and
sells his product at uncertain prices, thereby bearing an non-insurable risk.

Adam Smith (1723-1790) in ‘Wealth of Nations’ spoke of entrepreneur as “an individual who undertook the formation of an organization for commercial purpose”. In his view entrepreneur is an industrialist and he has a foresight of recognizing potential demand for goods and services. He transforms demand into supply.

J. B. Say (1767-1832) described entrepreneur as “One who possessed certain art and skills of creating new economic enterprise. Yet a person who had exceptional insight into society’s need and was able to fulfill them”. In view of J. B. Say entrepreneur is a manager, organizer and coordinator. He has also a proper understanding of society’s needs and expectations.

Frank Knight in 1921 described entrepreneur to be “a specialized group who bears uncertainty risk, which cannot be insured”. In his view, entrepreneur accepts ‘uninsurable risk’, and profit is a reward to an entrepreneur for his risk taking activities.

Oxford English Dictionary (Edition 1897) has given a meaning of entrepreneur as “The director or manager of public musical performance”. The dictionary says that an entrepreneur is a ‘music director’. But, the dictionary has impliedly underlined the main activity of an entrepreneur i.e. co-ordination. However the 1933 edition of the Oxford English Dictionary states, “Entrepreneur is one who undertakes an enterprise especially a contractor, acting as intermediary between capital and labour”. In this edition, the dictionary has used the term with reference to economic activities. The meaning highlights role of an entrepreneur as ‘organizer’ and ‘manager’.
**Carl Menger** (1840 to 1921) an Austrian economist says, "Economic change does not arise from circumstances but from individual's awareness and understanding of those circumstances. The entrepreneur becomes the agent of change who transforms resources into useful goods and services". The important points of his definition are – an entrepreneur is an ‘agent of change’ and he creates ‘value addition’ in goods and services to satisfy human needs.

**J. A. Schumpeter** (1883-1950): He made a very significant contribution to the subject of economics in general and entrepreneurship in particular. He put the human agent at the central place in the process of economic development. Classical and neo-classical economist Adam Smith, Ricardo, Malthus, Marx. considered capital (i.e. saving), investment and technology as main determinants of economic development. In their model of economic development entrepreneur is the organizer who brings the factors of production together and co-ordinates their activities.

During early twentieth century, Dewing equated entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. In enumerating the characteristics of a successful entrepreneur, Dewing wrote of the qualities of imagination, initiative, judgment and restraint.

**Casson** in his work, having considered both functional definition and an indicative definition, describes "an entrepreneur as someone who specializes in taking judgmental decisions about the coordination of scarce resources."

**International Labour Organization (ILO)** describes "entrepreneurs as people who have the ability to see and evaluate business opportunities;"
to gather the necessary resources to take advantage of them; and to initiate appropriate action to ensure success."

In Danhof’s analysis, an entrepreneur “is primarily concerned with changes in the formula of production ... over which he has full control ... He devotes correspondingly little time to the carrying out of a specific formula.” Danhof divides the carrying out of functions of entrepreneur into three major roles – obtaining relevant information, evaluating the information with regard to profit, and setting the operation in motion. Major emphasis in Danhof’s definition is on decision-making, or judgment under alternative choices.

Robert Ronstand
Robert Ronstand had described entrepreneurship as a dynamic process of creating incremental wealth. This wealth is created by persons who assume the major risk, in term of equity, time and / or career commitment of providing value for some product or service. Product or service itself may or may not be unique but value must be infused by entrepreneur through allocation necessary skills and resources.

Peter Drucker
As per Peter Drucker, the management guru, entrepreneurial role is one of getting and using resources. The difference is that in an entrepreneurial role the resources must be allocated to the opportunities, where as, in the managerial role the resources are allocated to solve the problems. Entrepreneurship occurs when resources are redirected towards progressive opportunities, and are not used for ensuring administrative efficiency. This redirection of resources distinguishes between the entrepreneurial and managerial role.
According to Peter Drucker an entrepreneur is one who always looks for change, responds to it and exploits it as an opportunity. Innovation is an instrument of entrepreneurship. An entrepreneur innovates and creates resources because there is no such thing as resource until someone finds a use for something and endows economic value to it. Drucker considers increasing the value and consumer satisfaction of a resource entrepreneurial. Entrepreneurs convert a material into a resource or combine the existing resources in a new or more productive configuration. Drucker felt that an entrepreneur need not be the owner of the business. A professional manager who mobilizes resources and allocates them to make a commercial gain from an opportunity is also an entrepreneur.

Cunningham and Lischeron
Cunningham and Lischeron have described six possible “schools of thought” on entrepreneurship. The first school of thought, i.e., ‘Great Person School’ says that an entrepreneur is born with an intuitive ability – a sixth sense and this sense helps him in start-up stage. The second school of thought, i.e., ‘Psychological Characteristics School’ explains that entrepreneurs have unique values, attitudes and needs with drive them and help them, especially in start-up stage. The third school, i.e., ‘Classical School of Thought’ says that central characteristic of entrepreneurial behavioural is innovation. This characteristic helps the entrepreneur in start-up and early growth. ‘Management School’ is the fourth school of thought and it states entrepreneurs are organizers of an economic venture and they organize, own, manage and assume its risk. Such functional orientation helps them in early growth and maturity. The fifth school of thought is the ‘Leadership School’. According to this school, entrepreneurs are leaders of people and they have the ability to adopt their style to the needs of people. Such leadership personality suits them most during early growth and maturity situations. ‘Intrepreneurship School’ is the
sixth school of thought. Intrapreneurship is the act of developing independent units to create, market and expand services within the organization. Intrapreneurship is needed by an entrepreneur during the situation of maturity and change.

2.3 Characteristics of Entrepreneurs:

An entrepreneur possesses a complex personality. Certain personality characteristics make him quite different from an ordinary human being. Some of the characteristics, which constitute his personality, are inborn and some are acquired in the process of socialization. However, it has been proved that most of the entrepreneurial traits can be further developed in an individual, if they are present in him to some extent in latent form, by well structured training and development programmes.

The important entrepreneurial traits are discussed here:

(a) Risk Taking  (b) Self-Confidence
(c) Optimist  (d) High Need for Achievement
(e) Imaginative  (f) Need for Power
(g) Creativity  (h) Foresight
(i) Effectiveness  (j) Need for Independence
(k) Respect for Feedback and Learning from Experiences

2.4 Functions of Entrepreneurs:

Different social scientists have highlighted different functions of entrepreneur.

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<tr>
<th>Social Scientist</th>
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<tr>
<td>1. Frank Knight, Cantillon</td>
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Peter Kilby has mentioned the following function of entrepreneurs:

1. **Exchange Relationship:**
   * Perception of market opportunities
   * Gaining command over scarce resources.
   * Purchasing inputs.
   * Marketing of the product and responding to competition.

2. **Practical Administration:**
   * Dealing with the public bureaucracy.
   * Management of human relations within the firm.
   * Management of customer and supplier relations.

3. **Management Control:**
   * Financial Management.
   * Production Management.

4. **Technology:**
   * Acquiring and overseeing assembling of the factory.
   * Industrial engineering.
   * Upgrading process and product quality.
   * Introduction of new production techniques and products

Keeping in mind the comprehensive approach, it can be said that, there are mainly four functions of an entrepreneur;

(a) Innovation
(b) Risk Bearing
(c) Organization and Management of resources
(d) Leadership
2.5 **Types of Entrepreneurs:**

A) **Innovative Entrepreneur:**

Innovative entrepreneurs introduce either a new product or service in the market or the same product in a new form. Schumpeter and Peter Drucker have considered 'innovation' as a cardinal activity of entrepreneurs. An innovative entrepreneur is one who introduces new goods and services in the market, Introduces new techniques of production, Discovers new market for their product, Taps new sources of raw material and Introduces new form of organization. Innovations can be Technical, Non-technical.

Technical innovations consist of use of new technology like information technology, computer technology, nuclear technology, electronic technology etc. Technology innovations are pioneering and history-making innovations. Such entrepreneurs make everlasting impact on the society. They are motivated by self-actualization needs. They work for self-accomplishment. Such entrepreneurs are found in advanced countries. It is due to the following reasons 1) Advancement of science and technology, 2) Availability of venture capital, 3) Availability of skilled manpower, 4) Progressive attitude of customers and society, 5) Active government support and 6) Modern value system. Entrepreneurs from developing countries by and large mainly undertake non-technical, innovations; Innovation has market and time contained. In order to develop the banking habit among poor sections of the society, the founder of the Syndicate Bank Dr. Pai introduced 'Pigmy Saving Scheme, under this scheme, bank started, collecting even a very small amount of saving from customers.

In short innovative entrepreneurs act as an agent of change' in the economy. Peter Drucker talks about systematic and purposeful innovations. In his view, innovative entrepreneur can use following seven sources of innovations Unexpected success or failure,
Incongruities, Process need, Change in market and demand structure, Business environment, Change in perception and New knowledge.

Innovative entrepreneurs are the 'best friend of customers.' They understand the problems of customers and offer good solutions to those problems. These entrepreneurs' possess the qualities of creativity and risk taking. Innovative entrepreneurship is the 'need of the hour'. Thus Peter Drucker has rightly said “Innovation is the new conservatism.” In the era of globalization, the rule of the game is innovate or perish.

B) **Imitating Entrepreneurs:**

Imitating entrepreneurship is marked by the tendency to adopt tried and successful innovation for a developing nation. These entrepreneurs are not creative innovators, they don't accept the risk of innovation but once the innovation is proved successful imitating entrepreneurs imitate the ideas. Entrepreneurs from developing countries are mainly imitating entrepreneurs. They borrow new ideas from advanced nations; they import technology, capital from advanced nations and set up business ventures in developing economy. In the national market, these entrepreneurs might be innovative entrepreneurs but in the global sense they are imitating entrepreneurs. Our Indian entrepreneurs are imitating entrepreneurs in the real sense of the term. The social, cultural, economic, technological environment of developing nations make entrepreneurs less innovative less creative and more imitating. Even though entrepreneurs from developing nations are imitating in nature, they render valuable services to the nation. Their services are of the following nature.

a. These entrepreneurs utilize available resources to the full extent.

b. Imitating entrepreneurs introduce new product or new
techniques of production in the market.
c. These entrepreneurs create new employment opportunities.
d. They mobilize capital.
e. They make efforts to improve the standard of living of people.
f. They act as an agent of change and bring about change in the socio-economic life.
g. They create industrial climate in the economy.

These entrepreneurs have foresight and vision, they are very much alert about the business environment and wherever they come across attractive new ideas they pick up those ideas and act upon them. These entrepreneurs can be called 'innovative imitators'.

C) Fabian Entrepreneurs:
A dictionary meaning of the word 'Fabian' is delaying or avoiding battle. Fabian entrepreneurship is basically imitative in nature but characterized by great caution and skepticism. They don't willingly introduce any change in the business unless the environment compels them to do so.

D) Drone Entrepreneurs:
A dictionary meaning of the word 'drone' is the male of honey bee, lazy or idle etc. Drone entrepreneurship is characterized by refusal to change at the cost of severely reduced return on investment. These entrepreneurs don't change their business practices according to the rime and changing situation. They undertake business activities in a stereotype manner. They simply ignore environmental changes and as a consequence of this, drone entrepreneurs become irrelevant in the dynamic business world. Ultimately market forces push them out of the market. Our cottage, village and handicraft industry has vanished because of the rigid approach of entrepreneurs.
2.6 **Entrepreneurship:**
Entrepreneurship is a purposeful activity indulged in initiating, promoting and maintaining economic activities for the production and distribution of wealth. It could be conceived of an individual's free choice activity or a social group's occupation or profession. Therefore, entrepreneurship may be conceived as a creative activity, the entrepreneur being an innovator who introduces something new into the economy; a method of production not yet tested by the experience in the branch of manufacture concerned, a product with which consumers are not familiar, a new source of raw materials, or a new market hitherto unexploited and other similar innovations.

Entrepreneurship is an occupational enterprise taken at a personal level. It involves financial risk, quick decision, innovative adaptation, continuous investment and above all a temperament for profit making and development.

Entrepreneurship refers to the function of seeking investment and production opportunity, organizing an enterprise to undertake ventures on production or service, by coordinating, men money, machinery and material, and introducing new techniques in the overall administration of an enterprise.

2.7 **Theories of Entrepreneurship:**
The theories of entrepreneurship have been classified as Psychological Theories of Entrepreneurship, Economic Theory of Entrepreneurship and Sociological Theory of Entrepreneurship.

A) **Psychological Theories of Entrepreneurship**

2.7.1 **McClelland's Theory of Achievement Motivation:**
Achievement motivation is also termed as “n Ach”, the need to achieve, the “urge to improve” in common parlance. If a man spends his time
thinking about doing his job better, accomplishing something unusual and important or advancing his career, the psychologist says he has a high need for achievement. He thinks not only about the achievement goals but also about how it can be attained, what obstacles or blocks might be encountered and how he would take help to overcome the obstacles in achieving his goal.

McClelland has developed an Achievement Motivation Theory. According to this theory, an individual's need for achievement (n Ach) refers to the need for personal accomplishment. It is the drive to excel, to strive for success and to achieve in relation to a set of standards. People with high achievement motive like to take calculated risks and want to win. They like to take on personal responsibility for solving problems and want to know how well they are doing. High achievers are not motivated by money only, but instead, employ money as a method of keeping sure of their achievements. Such people strive for personal achievement rather than the rewards of success. They want to do something better and more efficiently than has been done before.

Need for achievement is simply the desire to do well not so much for the sake of social recognition or prestige but for the sake of an inner feeling of personal accomplishment. It is this need for achievement that motivates people to take risk. People with high need for achievement behave in an entrepreneurial way. Need for achievement stimulates the behaviour of a person to be an entrepreneur.

McClelland has explained a model of entrepreneurial development which is rather a psychological prospective to understand the entrepreneurial growth. According to McClelland, entrepreneurial growth can be explained in terms of need for achievement motivation which is the major determinant of Industrial and economic growth. McClelland found high correlation between the need for achievement
motivation (n Ach) and successful economic activities. To him a person who adds up a column of figures is not an entrepreneur; he is simply following the established rules. In his theoretical assumption, an entrepreneur is a man who decides to add a new line to his business; he cannot know in advance whether his decision will be correct. The theory of entrepreneurship given by him can be seen as development of Weber's Protestant Ethic.

McClelland tries to relate motivation directly with entrepreneurship assuming that it is the immediate cause of the entrepreneurship. The high achievement is very much associated with better performances which require some imagination, manipulation or new ways of putting things together. Such people do better in a non-traditional way which requires some degree of initiative or even inventiveness.

The following psychological factors contribute to entrepreneurial motivation:

1. Need for achievement through self-study, goal-setting and interpersonal support.
2. Keen interest in situations involving moderate risk.
3. Desire for taking personal responsibility.
4. Concrete measures of task performance.
5. Anticipation of future possibilities.
6. Energetic or novel instrumental activity.
7. Organizational skills, etc.

Some societies produce a large percentage of people with high need for achievement. Entrepreneurship becomes the link between need achievement and economic growth.

McClelland emphasizes the achievement motive which is inculcated through child-rearing practices which stress standards of excellence,
material warmth, self-reliance training, and low father dominance. However, in a later study, he changes attitude and ascribes changes in motivation to the ideological arousal of latent need for achievement among adults typically associated with a new sense of superiority. Thus, the achievement-oriented behaviour may be possible to stimulate through training programmes.

McClelland considers the need for achievement to be most critical to a nation's economic development. He held that a strong 'inner spirit' in individuals to attain is a measurable variable arising from a need, which the individual develops mainly in childhood and seeks to satisfy throughout his life. This 'inner spirit' which he called need for achievement, if higher, would produce more energetic entrepreneurs capable of generating rapid economic development. High need for achievement or ambition motivates an entrepreneur to take risks, work hard, find new things, save more, reinvest the savings in industry, and so on. The limited empirical evidence supports the hypothesis that need for achievement contributes to entrepreneurial success.

McClelland rated the achievement motivation of different countries on the basis of ideas related to need for achievement contained in the children's stories. This has come to be known as n-factor rating. He established a correlation between n-factor rating and the prosperity of the countries a generation ahead. The criterion on n-factor rating was the inherent concern for achievement or the non-induced achievement motivation.

McClelland found that achievement motivation was lower among people of underdeveloped countries than among those of developed nations. Even in USA only about ten percent of the people were actually high achievers. It is the low level of aspirations or ambitions that explains the lack of enterprise in underdeveloped countries.
Ambition is the lever of all motives and ‘aimless life is a goal-less game’. Ambitions motivate men, activate them, broaden their vision and make life meaningful. Ambition is an index of one’s resourcefulness. Ambition builds up achievement pressure in the individual and provides the basic for McClelland’s n-factor. Ambition is the lever of all motives. The initiative and intentions of an individual are directed by his ambitions. It is the ambition that electrifies man’s actions. Therefore, what matters is not merely the people but their aspirations and the means to achieve the goals. Therefore, it is the duty of leaders and teachers to build up ambition into the minds of young people. However, ambitions differ from greed and windfall. Greed results in disaster and windfall makes one a speculator. Sometimes personal ambitions may come in the way of family aspirations or national aspirations. Unfulfilled ambitions are passed on to the next generation who may chase the goal with redoubled effort and vigor.

Thus, ambition nourishes achievement motivation and brings economic growth. The biggest obstacle to economic progress in countries like India is perhaps the limited ambition of people. The initiative of an individual is directed by his ambitions which nourish the entrepreneurial spirit and bring about economic development. Hence, what matters is not merely the people and their talents but their aspirations. However, ambitions differ among individuals on the basis of the environment in which they are born and brought up. Galbraith has also attributed the backwardness of many Asian and African countries to lack ambition.

**McClelland’s Kakinanda Experiment:**

Assuming need for achievement plays a vital role in promoting economic growth, McClelland has tried to induce achievement motivation in adults and provide them with an urge to improve their lot
because uninduced achievement motivation results in a long wait before it bears fruit. Such an inducement may help break the barrier of ‘limited aspirations’. For this purpose, he conducted experiments with groups of businessmen in America, Mexico and Mumbai. Later he carried out a full-fledged programme in the Kakinada city district of Andhra Pradesh.

Kakinada is a well-developed district town with a population of around one lakh with high literacy and a modest industrial structure. The objective of the programme was to break the barrier of ‘limited aspirations’ by inducing achievement motivation. The project which began in January 1964 consisted of recruiting batches of personnel drawn from business and industrial community of the town and putting them through an orientation programme at the Small Industry Extension Training Institute (SIET), Hyderabad. Fifty-two persons grouped into three batches participated in the programme. The training was designed primarily to simulate the imagination and encourage introspection into potential motivation and community goals. The achievement development course contained four main aspects:

1. The individual strived to attain concrete and frequent feedback.
2. The participants sought models of achievement, i.e., watched those who performed well and tried to emulate.
3. The participants imagined themselves in need of success and challenge and set carefully planned and realistic work goals.
4. The trainees were asked to control day dreaming by thinking and talking to themselves in positive terms.

After two years those who had taken the course, except for one case, performed better than those comparable who did not take the course.
The former made more money, got promoted faster and expanded business more rapidly. In order to assess need for achievement, McClelland used the Thematic Apperception Test (TAT) which presents the subject with an ambiguous picture. The individual is asked to interpret what he sees and what is happening in the picture. Achievement related themes are then counted and the final score represents the individual's desire for high achievement.

About the results of the Kakinada experiment, McClelland concluded that those participating in the programme displayed more active business behaviour (51 per cent against 25 per cent in the control group) and worked longer hours. Significantly, he found that caste, traditional beliefs or western ways of life did not determine the mental makeup of a participant. The training, as was given at Hyderabad, is likely to improve those who have a great yearning to do something and have the opportunity to do so in their business framework.

The Kakinada experiment is being utilized in a number of initiatives that have recently began to induce technical personnel to set up new enterprises of their own. In Gujarat, various state agencies have combined to operate an Entrepreneurship Development Programme to help young people acquire the motivation necessary to become risk-takers. The Gujarat programme has been successful in persuading many persons to set up new enterprises in the small-scale sector. It was found that the follow up 'package' assistance offered by the state agencies in Gujarat has been particularly instrumental in helping the participants decide on the enterprise they wish to start. Similarly, in Andhra Pradesh, the Small Industrial Development Corporation Ltd. (APSIDC) has been assisting technically qualified persons to become entrepreneurs through orientation programmes of the NSISIET. This is followed by specific assistance of providing developed land especially
earmarked for such persons at nominal rates in the technocrat-industrial estates.

Based on the experiences in Gujarat and Andhra Pradesh, the Ministry of Industrial Development formulated a scheme for helping technical personnel to become entrepreneurs. This programme, which went into operation in early 1971, consists of three months programme at selected centres spread all over the country, followed by financial assistance in terms of a subsidy on the interest on advances taken by the entrepreneurs from the commercial banks so that the net interest paid by the entrepreneur himself does not exceed five per cent. The programme is designed to enable a young person to know the real problems of setting up an enterprise and to work out the feasibility report for his own project. During this period, he is also provided with opportunities to visit industrial establishment in his field of specialization. Careful screening of the participants is done by the Selection Committee with the State Director of Industries as its Chairman so that the programme would result in a sizeable number of new enterprises. It is expected thousands of young persons will be provided with such training in the years to come.

It is realized that entrepreneurship is to be developed from a very young age. In this connection, the Ford foundation has been conducting a pilot project study under the direction of Eugene Stanley. Stanley has taken up one district in Maharashtra (Osmanabad) for the pilot study and he is trying to develop a school curriculum that would provide a high degree of motivation among the students. He is introducing success stories drawn from history and legends of the indigenous culture to induce in young minds the sense of ‘need for achievement’ and the ‘desire to do something after they grow up’. 
2.7.2 Hagen’s Theory:

Hagen’s theory presents psychological explanation and his concept of “creative personality” is also of an individual characterized by a high need of achievement. This creative personality is interested in accelerating change driven by a duty to achieve. According to Hagen the economic growth has been very gradual and as such may or may not occur in the same generation but is more likely to be an inter-generational change. Hagen develops that the disadvantaged minority group is mostly the source of entrepreneurship.

Hagen considers the withdrawal of status respect as the trigger mechanism for changes in personality formation. The status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem they value. Hagen postulates four types of events which can produce status withdrawal: (1) displacement of a traditional elite group from its previous status by another traditional group by physical force; (2) denigration of valued symbols through some change in the attitude of the superior group; (3) inconsistency of status symbols with a changing distribution of economic power; and (4) non-acceptance of expected status on migration to a new society.

Therefore, according to Hagen whenever there is any withdrawal of status respect it would give rise to four different responses and create four different personality patterns.

1. **Retreatist**: The person, who continues to work in the society but remains indifferent to his work and position.
2. **Ritualist**: The person who adopts a kind of defensive behaviour and acts in the ways accepted and approved in his society but with no hopes of improving his position.

3. **Reformist**: He is a person who foments a rebellion and attempts to establish a new society.

4. **Innovator**: This type of personality is a creative individual and is likely to be an entrepreneur.

Hagen's thesis of disadvantaged minority group has its own limitations. There are many disadvantaged minority groups such as the Catholics in England, Negroes in the United States and Scheduled Tribes (Past Rulers) in India, which have not supplied a good number of entrepreneurs. McClelland modifies Hagen's thesis to explain such cases. The subordination of minority group may develop achievement motivation among its members but its extent depends upon the initial level of motivation. Such modification can be supported by empirical findings in India where minority groups could not develop their business schemes due to the lack of social support and the means of development.

### 2.7.3 John Kunkel's Behavioural Model:

John Kunkel's behavioural model is concerned with the overtly expressed activities of individuals and their relations to the previously and presently surrounding social structures and physical conditions. The determinants of an individual's activities are to be found largely in the conditioning procedures – both deliberate and accidental – to which he has been subjected in the past, and in the sets of reinforcing and discriminating stimuli, which have become part of his behavioural chains and are part of the present social context. The selected elements of societal environment are amenable to change.
He presents this model in contrast to Young's treatment of social values and psychic needs. Kunkel takes the position reducing values and personality types to the behaviour patterns from which they are inferred. The entrepreneurial behaviour according to Kunkel, is a function of the social structure which can be influenced by inherent economic and social incentives.

According to Kunkel entrepreneurial growth depends on the existence and extent to which these factors are found in a society and proposes the hypothesis that "the incidence of entrepreneurship depends on both the objective and perceived configuration of the four structures. Any discrepancy between objective structures and the actual incidence of entrepreneurs will be due to inadequate or incorrect perceptions of the various structures... it is evident, however, that entrepreneurship depends on rather specific combinations of circumstances which are difficult to create and easy to destroy.

In all, Kunkel's model suggests that entrepreneurial behaviour is a function of the surrounding social structure and it is influenced by manipulable economic and social incentives. Therefore, his model is based upon experimental psychology but identifies sociological variables as the determinants of entrepreneurial growth.

B) Economic Theory of Entrepreneurship:

1) Schumpeter Theory of Economic Development and Entrepreneurship

Schumpeter development theory is based on three economic processes
(i) circular flow; (ii) development or innovation (iii) crises.
According to Schumpeter "In a circular flow, from which we always start, the same products are produced every year in the same way. For every supply their waits somewhere in economic system a corresponding demand and for every demand the corresponding supply, all economic activities are repetitive". Circular flow is based upon a state of perfect competitive equilibrium, in which the costs are equal to receipts, and prices are equal to average costs. Profits and interest are zero and involuntary unemployment of resources does not exist. In other words, Schumpeter is talking of an economy, which is in stationary equilibrium and circular flow is the characteristic of an economy in stationary equilibrium.

Innovation may be defined as a change in the existing production system introduced by the entrepreneur with a view to make profits and reduce costs. The concept of development can be defined as changes in economic system due to domestic forces or endogenous factors and not exogenous factors, which are forced upon it. Schumpeter has defined development, as "It is spontaneous and discontinuous change in the channels of flow, disturbance of equilibrium, which for ever alters and displaces the equilibrium state previously existing." Economic development thus implies the changes within the economic system. When the changes (economic, social, political and technical) take place in the economy, circular flow is disturbed and the development process starts.

Broadly speaking Schumpeterian concept of economic development is synonymous with the spontaneous and discontinuous technological changes, which basically imply new resources combination, called innovations. The following cases are included in innovations;

(i) The introduction of new goods, with which consumers are unfamiliar.
(ii) The introduction of new methods of production.
(iii) The opening up of a new market.
(iv) The discovery of new sources of raw material.
(v) The setting up of a new type of industrial organization.

The new combinations of these factors set the ball of development rolling. But it must be understood that the ball of development does not start rolling automatically. It has to be actively rolled by the development agents. Such agents, according to Schumpeter are innovators or entrepreneur. Entrepreneur is the hero in the Schumpeterian drama of development. He is not a man of ordinary managerial ability, but a man of vision, imagination, and drive, who can well anticipate about the future and is ready to exploit the situation to his best advantage. His function implies the introduction of something new i.e. new experiment, new invention etc. The capitalist provides the funds, but the entrepreneur directs the use of the funds. In brief, it is the leadership rather than the ownership that matters in the Schumpeter's theory of development.

J. A. Schumpeter has given a model of economic development. His concept of “innovation” is more fundamental than that of "entrepreneurship". Schumpeter has visualized innovative type of entrepreneurship in the process of industrialization. Schumpeter’s entrepreneur possesses three things: First an intuitional capacity to see things in a way which afterwards proves to be true; second, a kind of effort of will and mind to overcome fixed habits of thinking; and third, the capacity to surmount social opposition against doing something new. Such individuals, who occur randomly in any ethnically homogeneous population, are motivated by the dream and the will to found a private kingdom, the will to conquer, and the joy of creating or simply of exercising one’s energy and ingenuity. In the words of J. A. Schumpeter “the entrepreneurs in an advanced economy is an individual who introduces something new in the era – the method of
manufacturing not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not familiar, a new source of raw material or new markets and the line". Among the economist Schumpeter was the first to identify the importance of entrepreneurship in his theory of economic development. Basically an entrepreneur is one who assumes risks and uncertainties, sizes opportunities for economic gain, initiates activity leading to provide through interaction of men and materials by performing the managerial function of decisions making.

**Role of Entrepreneur**
The role of the entrepreneur has been glorified by Schumpeter, on the basis of functional abilities. For instance entrepreneur is to (a) appreciate the possibilities of innovation, (b) overcome the socio psychological barriers against the introduction of new things, (c) direct the means of production into new channels. (d) persuade the banker to provide him necessary finance for innovations, (e) induce other producers in his branch of activity of taking risk, (f) and create an environment conducive to the satisfaction of wants as the normal motive. Though Schumpeter has given a comprehensive explanation about the role of the entrepreneur, but it cannot be considered an adequate explanation of the general theory of capitalistic development. For entrepreneur himself is a product of social environment, which compel him to innovate or get eliminated because of the forces of competition. Despite this fact, credit goes to Schumpeter who has emphasized the role of the entrepreneur in the capitalist development, which is valid for a particular stage of development.

The entrepreneur requires two things to perform the above-mentioned functions. Firstly, there must exist technical knowledge, with which the entrepreneur can introduce new products or new combinations of production factors. This, according to Schumpeter, entrepreneur does
not pose any problem, because there always exists the reservoir of unused technical inventions, which can be explored and exploited by the prospective entrepreneurs. Secondly, in order to carry out the new inventions the entrepreneur requires the services of the factors of production. In other words, the entrepreneur must have command over the production factors. For this he needs purchasing power in the form of credit and capital, which can be provided by banks and other financial institutions. Thus monetary system, credit and banks play a vital role in economic development. Schumpeter is of the opinion that no one other than the entrepreneur needs credit, because credit promotes industrial development, which in turn delivers new goods. So the crucial function of credit is to enable the entrepreneur to buy producer’s goods, which he needs for conducting the new experiments and innovations in order to produce new products. Once the innovation proves successful and profitable, the other entrepreneur will follow suit. The invention in one field of the economic activity will induce inventions in the related fields. For example, the emergence of scooter industry, may in turn stimulate a new wave of investments in rubber-tyre, petroleum products and spare-parts industries. This is how the process of development starts gathering momentum. But it should be noticed that development under capitalism has never been a smooth or harmonious process.
There have been wave like movements, which Schumpeter considers in the treatment of business cycle.

Entrepreneurs make an investment of the funds supplied by the banks, this investment ushers in an era of prosperity, and the forward operation of the multiplier gives rise to the conditions of boom in all the productive activities of the economy.

After explaining the boom phase of trade cycle, he then proceeds to explain the depression or downswing process. His explanation of depression too, is similar to that of modern economists. It is the law of nature, that every action provokes an, equal and opposite reaction. Natural phenomenon never exhibits a 'smooth and regular path. It is always erratic and irregular. There are always ups and downs in the natural events. Similarly in the economic activities too there are wave-like movements. The forces that bring about the spurt in economic activities; and cause boom, ultimately get exhausted and create counter forces. Then a fight ensues between the original forces and the counter forces. Ultimately the counter forces gain sufficient strength and power to overpower the original forcers. This is how the boom starts fading away, giving place to depression.
Schumpeter believes that new units of "production enjoy advantage over the older units of production. It is easy to understand the logic of his belief. When new plants start turning out the production, the consumers are naturally attracted by the new product, and they spend money for the purchase of new products. In this way new plants flourish and old plants suffer and incur losses. As these plants decide to cut down their output or dose down completely, the national output starts shrinking.

This is one reason for the shrinkage of national income or the turning phase from boom to depression. The other reason is the human psychology. It is a known fact that a man by nature is greedy, and greed makes him over-ambitious and optimistic about the future events. When an entrepreneur makes profit out of his investment, he believes that he can go on making profit for ever, little realizing that some risks are also involved with business. For sometime the entrepreneur may go ahead with his plans of investing more and more money and reaping more and more profits. But a time comes, when he realizes that his business and economic activities are getting exhausted. At that stage the entrepreneurs, become cautious about the future investments. Further borrowings from banks become a risky affair. Moreover in a rapid developing economy, it becomes difficult for an entrepreneur to foresee the future events correctly. Once the doubts and apprehensions about the future arise in the minds of the entrepreneurs, they will hesitate to make fresh investments and so they will stop further borrowings from the bank when investment starts falling, the multiplier operates in the backward direction. Incomes begin to decrease; purchasing power shrinks and prices fall. This stage is called depression.

Depression goes on for sometime on its own momentum till the economy gets to a new position of stability. The economy behaves like
a man. When a man is tired, he takes rest. After taking sufficient rest he becomes active and starts the activities of his life. In the same way, when economy gets tired, it needs some rest i.e. it needs time to stabilize itself to a new position. Once the stability is achieved, a new swarm of innovators appears on the scene, with a new sense of confidence and optimism. The innovators start making investment in the hope of making profits and in this way; the economy gathers momentum to get on the path of progress and development. Thus Schumpeter's theory of economic development exhibits cycles of boom and depression. This implies business is an integral part of development theory. Due to operation of boom and depression the development process becomes uneven and discontinuous.

**Breaking of the Circular Flow**

Schumpeter's model starts with the breaking of the circular flow with an innovation in the form of a new product by an entrepreneur for the purpose of earning profit. In order to break the circular flow, the innovative entrepreneurs are financed by bank-credit expansion. Since investment in innovations is risky, the new innovation becomes successful and profitable, other entrepreneurs follow it in "swarm-like clusters." Innovations in one field may introduce other innovations in related fields. The emergence of a motor car industry may, in turn, stimulate a wave of new investments in the construction of highways, rubber tyres and petroleum products, etc. But the spread of an innovation is never cent per cent.
2) **The Economist’s View:**

The economist’s view is a counter-hypothesis to all the viewpoints of entrepreneurial supply and is evident in empirical studies such as those of G. F. Papanek and J. R. Harris. According to his view, the psychological drive for pecuniary gain or the desire to improve real incomes is present in all the societies. What matters is the economic environment. The economic incentives are regarded sufficient condition for the emergence of industrial entrepreneurs. If there is lack of vigorous entrepreneurial response in manufacturing, it is due to various kinds of market imperfections and inefficient policy-making.

The political economy paradigm of Flavia Derossi holds political power as a paramount factor in entrepreneurial development in all new developing countries. Proximity, though not necessarily in the geographical sense, or access to the sources of power, may be the determinant factor of private investment.

As observed earlier, every theorist has looked at the problem on the basis of his specialty and, therefore, can at best provide only a subjective view of entrepreneurial phenomenon. No view is right or
wrong, or more or less useful. As so many explanations have been put forward, it speaks of their inadequacy independently. In fact, the various factors which cause emergence of entrepreneurship are integral and not additive. They are interlocking, mutually dependent and mutually reinforcing. There being multi-facet dimensions of the problem, no single social science can provide all the data or conceptual apparatus necessary to develop the "Heffalump." The "Integrated-Contextual Model" developed by Abdul Aziz Mahmud, perhaps, goes a long way to explain the problem.

One will easily notice from the discussion that some factors which are sociological or psychological in nature take sufficiently long time to change, whereas others like economic, political and legal are quickly manipulable to render the environment conducive to emergence of entrepreneurship. It may, therefore, be concluded that given a degree of ambition and ability not uncommon to many individuals, certain kinds of experiences and situational conditions – rather than personality or ego – are the major determinants of whether or not an individual becomes an entrepreneur. At the beginning when people make the decision to start an entrepreneurial career, they are in most respects very much like many other ambitious, striving individuals. But the entrepreneurial interests for those who elect that path are more a function of external differences than internal ones – more the result of practical readiness and cost / income constraints than of individual psychology or personality. This does not mean that starting a successful company is a game that any one can play. It, however, means that far more people could become entrepreneurs than ever do, and that the inclination of people to move in this direction could be increased by an increased awareness and recognition of this as a career alternative.
Thus, the entrepreneurial personality is a composite of the person, his/her perceptions, skills, alertness about the environment and motives. Amongst the traits and qualities of a successful entrepreneur internal locus of control, understanding of the fundamentals of entrepreneurship, persistent problem solving, awareness of the surroundings and technical know-how play vital role in success as well as in failures. In a developing country like India, where gender role differences, sex stereotypes and gender inequalities are embedded in the society from when the socialization process starts, the influence of the familial and social factors become more obvious to affect these traits.

C) Sociological Theories of Entrepreneurship:

The Sociologist’s View:

Max Weber analyzed religion and its impact on economic aspect of the culture. According to him, religious beliefs are the driving force for generating entrepreneurial activity. The beliefs play a very crucial role in determining the future course of action on the entrepreneurs. Weber was perhaps the first of the social scientists who took the position that entrepreneurial growth is dependent upon ethical value system of the society.

Weber observed that the spirit of rapid industrial growth depends upon a rationalized technology, acquisition of money and its rational use for productivity and multiplication of money. These elements denote the ‘spirit of capitalism’ and are basis for industrial growth. They depend upon a specific value orientation of individuals and are generated by ethical values. Weber illustrates his theoretical formulation by the relationship that he found between protestant ethic and the spirit of capitalism. He considers that the protestants progress fast in bringing
capitalism because their ethical value system provided them with rational economic attitude, while the Jews and Jains fail to develop industrial capitalism because of their value of 'Pariha', (i.e. restrictions on having contact of any type with other communities). Although, Robert Kennedy and Yale also have the same opinion that entrepreneurship develops faster in those societies where ethical values help to develop independent capacity of decision-making.

For Max Weber, the driving entrepreneurial energies are generated by the adoption of exogenously supplied religious beliefs. It is these beliefs, which produce intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets.

Another sociological theory of entrepreneurship is of Thomas Cochran. His approach of entrepreneurship is based on the key elements, which are: cultural values, role expectations and social sanctions. According to him the entrepreneurs are the individuals who represent 'model personality' of a society. This is to be seen with reference to the prevailing child-rearing practices and schooling common to the culture. As a businessman the performance of the individuals may be seen with reference to the individual's own qualities towards occupation, role expectations held by sanctioning groups, social values and the sanctions are the most important determinants of these factors in the performance of businessman's entrepreneurial roles.

Bert F. Hoselitz underlines the importance of culturally marginal groups in promoting economic development. He hypothesizes that marginal men, because of their ambiguous position from a cultural or social standpoint, are peculiarly suited to make creative adjustments in situations of change and, in the course of this adjustment process, to develop genuine innovations in social behaviour.
Stokes, in an explanation of how economically transitional societies produce industrial entrepreneurs, considers social and cultural values which channel economic action to be important. He sees it as a direct product of the way in which the entrepreneurial role is defined, and comes to be defined, by collectivities which are meaningful to the prospective entrepreneur. Why persons with strong needs to achieve should seek to act out these needs in economic activity is a function of cultural values and not of psychological disposition only. He therefore suggests that personal and societal opportunity and the presence of the requisite psychological dispositions may be seen as conditions for an individual's movement into industrial entrepreneurship, but it is the group-generated value matrix that channels him away from or toward such activity.

2.8 Entrepreneurship, Self-employment & Income Generating Activity:

These terms are used interchangeable

![Diagram]

Fig: 2.3 Terms

Entrepreneurship refers to setting up new business venture, taking risk and innovation where as self-employment refers to full time
involvement in one's own occupation and Income Generating Activity is a part time, casual practice of earning additional income. In reality it is difficult to make watertight compartments. Hence these terms are used interchangeably.

**Woman Entrepreneur – The Concept:**

A woman entrepreneur is a person who is an enterprising individual with an eye for opportunities, and an uncanny vision, commercial acumen, with tremendous perseverance and above all a person who is willing to take risks with the unknown because of the adventurous spirit she possesses.

A Women Entrepreneur could be defined as “an adult women” who undertake to organize, own and run an enterprise. The definition of the term entrepreneur has been changing from time to time, the clear cut line of demarcation between entrepreneur self-employed and income generating activity is very difficult to draw, hence it is difficult to decide who is an entrepreneur in real sense of the term. In this research work instead of dogmatic approach a practical approach has been taken. “Any woman undertaking a business activity is a woman entrepreneur”.

**2.9 Conclusion:**

It is universally known and accepted fact that as and when time passed on, the concept of entrepreneur and its interpretation has undergone lot of changes. These changes have been adequately described by number of researchers. Thus in this research work more pragmatic approach has been taken by the researcher than the theoretical approach. Therefore, a woman entrepreneur is defined as any woman undertaking a business activity is a woman entrepreneur.