CHAPTER - 3

THEORY OF ENTREPRENEURSHIP

3.0 Introduction-

The main objective of this chapter is to understand the process of evolution and development of entrepreneurship under various socio-economic circumstances. To examine the process of evolution and growth of entrepreneurial function in western Maharashtra in the British rule, it is necessary to study a theoretical base to attempt a possible correlation between facts and the theory. It is rightly said that theory is only enlarged practice and practice is theory studied in relation to proximate causes. To start with, a detailed discussion on various aspects of business is presented.

3.1 Entrepreneurship and Business-

Business is one of the most ancient economic activities and at the same time it is one of the most modern subjects to talk on. As one could realize that business and human life are inseparable from each other. It could be regarded as the finest art of human service.

Business is seemed to get the glory that in the past was given to the crusader, soldier, courtier or an explorer or even sometimes to the martyr. Successful businessmen are always regarded with great honour and prestige by the society. But, why and how a business does exist seems to be an unanswered question.

Present study tries to analyze the link between the business activity and the businessman behind it. To start with, the history and nature of business should be learnt.
3.1 – A] Nature and Importance of Business Activity -

Business is an ancient profession as the ‘give and take’ activity of mankind for profit motive is experienced from time immemorial. Though ancient, business seems to be a complex human activity.

Business is important not only in meeting our material needs but also in supplying income and jobs. It promotes thrift and accumulates capital. It fosters the advancement of research and development. In short, it would be no exaggeration if it is said that business is a ‘civilizer’.

However, it has been observed that the society does not generally recognize business as a profession like any other profession. Society respects businessmen only when they are established and big. But, no one regards their struggle in the beginning worth considering.

Some of the logical reasons for the lack of prestige for business could be given here. As there is no established legal requirement for admission to the occupation of business, anyone can start a business.

Though nowadays B-schools are much popular, it is not necessary that students of the Business schools would start a business and businessmen would go to B-school before starting their enterprise. Also, the direct contribution of B-schools in training the would-be entrepreneurs seems to be doubtful. The issue is discussed later in this chapter.

Thus, there is a primary difference between business and other social institutions. In conclusion, it could be said that perhaps, business is the only social institution, which reflects Adam Smith’s concept of ‘Benevolent Providence’, i.e. every man knows his best and while achieving his best, he unknowingly does the good of others, because the ‘invisible hand’ operates within the society.’
Such a social institution emerged in the history of the world from time unknown. It would be beneficial to have a look on the history of business activity in various parts of the world.

B] History of Business Activity-

As an ancient profession, various business centers all over the world have been seen emerged and developed. There seems to be a direct relation between the process of urbanization and development of business activity. It is believed that business activity arose in towns and cities and gradually spread to the rural parts and also with the spread of business the small towns and business centers grew big to become large commercial centers.

There is very few recorded information available about the history and development of business centers. The first detailed information comes from Greek and Roman cities of 3000 years ago which can be regarded the beginning of money economy. Following is the list of various known trade and commerce centers and towns in the world history.

I] Historical Business Centers in the World- Babylon, Memphis, Thebes [Egypt, 2000 B.C.] Tyre, Sidon, Rhodes [Africa], Athens, Delos, Syracle, Alexandria, Antion, Rome [Europe] and also Byzantium, Genoa, Venice, Florence and Danzing, Bremen and Linbench, Lisbon, Bruges, Antwerp, Amsterdam and the last but not the least London were the main historical business centers in the world history. New York [USA] also emerged as a ‘new’ business center in the 18th and 19th centuries.

II] Business Centers in India- No records are available about Indian entrepreneurial or business history. Hence, one has to rely only on the passing references in economic history of the past. In India, ancient cities like Varanasi, Vishakhapattanam, Chaul, Nashik were famous commercial centers in the past. The latest and most important example in
this list could be given of ‘Bombay’, a city in the western part of the country which came into being only due to trade and business in the 18th and 19th centuries. [1] The process of birth, rise and growth of Bombay as a trade and business center has been given in the earlier chapter of the study.

C] Special Features of Business-

I] Size- Though, an ancient and common profession, business reflects some special features than the other professions. First of all, the word ‘business’, looks decisive as generally, the word denotes an idea of a large sized firm or corporation, dealing over a large area. This is quite a misconception. Large business corporations do exist of course, but their beginning is always in small steps. It is not the size of the business which matters more in the study of entrepreneurial theory and growth of firms, but the process of evolution of a new venture makes a point of study. The present and the next chapter would discuss the business activity on the basis of its evolution process.

II] Diversity- Businessmen are not monolithic in nature. Business ideology has no official sacred text such as ‘Das Capital; for Marxism or ‘The Bible’ for Christianity. Rather, every businessman sets an example by his own actions which may guide others but not entirely. Religion of business has no ‘shibboleth’ i.e. the set of rules and regulations by which followers of any religion are recognized. Thus, business is really a complex affair to study than the other professions.

III] Motivation of the Businessmen- The general belief for the main reason is the strong profit motive to start a business. However, a study in the entrepreneurial theory and growth of firms would show that the intrinsic satisfaction which a businessman gets rather than profit motive, seems to be more important for a businessman than the profit motive as
was generally believed. Present chapter discusses various theories which show different motives of business apart from the money motive.

As stated by Karl Marx, man is a tool-making animal. Creativity is the main motive behind any human activity. Material gains are no doubt, important but, money is a means to get something else, it is not the soul aim of a businessman. Many observations of successful businessmen did show that the primary aim to start the business was not the monetary motive but the urge to be successful and different than others.

Obviously, these and other special features of business activity would make it a different profession than any other which makes the study in it challenging. Thus, it could be understood that business and entrepreneurship are different than other walks of life and needs a separate study.

Also, to understand business activity, one should understand the concept of entrepreneur as both seem to be inseparable from each other.

3.2 **Origin and Evolution of the Concept of Entrepreneur**

**Introduction**- In general speaking, the terms businessmen, executives, managers, capitalists and entrepreneurs are taken synonymously. However, in a scientific study, these should be differentiated for more clarity and perfection. Among the above mentioned terms, an entrepreneur could be regarded as the most comprehensive term for a businessman in a scientific study of the business activity. Hence, the concept of entrepreneur should be studied from its evolution.

**Evolution of the Concept of an Entrepreneur**-

Though considered most scientific and comprehensive, the term entrepreneur seems to have no mention in the textbooks of economics till recent times is the main criticism by economic historians like Mark Blaug. To understand this criticism, it seems necessary to study the origin of the evolution process of the term, `entrepreneur`. 
1) Pre-Classical Era-
i] The 16\textsuperscript{th} and 17\textsuperscript{th} Century- The word, ‘entrepreneur’ is derived from the French verb, ‘enterprendere’. It means to undertake the responsibility. In the early 16\textsuperscript{th} century, the Frenchmen who organized and led military expeditions were referred to as ‘entrepreneurs.’ Around 1700 A.D. the term was used for architects and contractors of public works.

ii] The early 18\textsuperscript{th} Century- It has been unarguably recognized that Richard Cantillon writing in the 1730s was the first economist to use the term ‘entrepreneur’ in the modern sense. An entrepreneur for him was,’ someone willing to buy at a certain price and to sell at an uncertain price,’ irrespective of whether the transaction involved the employment of labour in a productive process or whether it made use of funds borrowed from someone else. In short, Cantillon could be given credit to show the fundamental difference between the function of the entrepreneur and that of the capitalist as an owner of capital. [2]

2) The Classical Period- After Cantillon, came the birth of classical economics with the writings of Adam Smith in 1770s. It has been observed that in ‘The Wealth of Nations’ [1776], Smith’s founding book in economics, Smith did separate the functions of the capitalist from those of the manager and he insisted that the ‘profits’ of the capitalist exclude the ‘wages’ of management as payment for the ‘labour of inspection and direction’.

Though a pioneer in the subject of economics, Smith is criticized for not distinguishing between the capitalist and the entrepreneur as the ultimate decision-maker. His failure to use the term ‘entrepreneur’ and use of the terms ‘projector’ and ‘undertaker’ can be attributed to the English vocabulary which has no equivalent term for the French word, ‘entrepreneur’ for the business proprietor.
The failure to isolate the entrepreneurial function from that of the ownership of capital by Smith has been observed to continue in the writings of all later classical economists. For them, as commented by Marx, business process runs substantially by itself, the one thing needful to make it run being an adequate supply of capital.

3] Karl Marx- However, the same defect of the absence of the entrepreneur, can be observed in the writings of Marx himself. This failure of his seems more startling than the failure of the classical writers, as Marx was undoubtedly the first economist in the history of economic thought to give technical progress a central place in the analysis of ‘the laws of motion’ of capitalism and again he was also the first and for a half –century or more, the only economist to have appreciated the significance of capital-saving innovations in the process of economic growth. It can be criticized that Marx too treated the running of a business as a simple adjunct to the capital.

4] The 19th Century-
A] Heinrich Von Thunen- After Marx, for the first adequate statement of the entrepreneurial role, one has to mention, the 19th century German economist, Heinrich von Thunen. In his remarkable book,’ The Isolated State’, [vol. II], he defined the gains of the entrepreneur as that which is left over from the gross profits of a business after paying a] the actual or imputed interest on investment capital, b] the wages of management and c] an insurance premium against the calculable risk of losses.

This could be said as a real beginning to separate entrepreneur from that of capitalist in the study of economics.

B] J.S. Mill- Further, John Stuart Mill’s ‘Principles of Economics [1848] is said to have popularized the term ‘entrepreneur’ among English economist. However, the tradition of regarding entrepreneur as simply a
multifaceted capitalist and nothing more, continued among the economists. It is believed by modern thinkers that perhaps because of authority of Smith, the classical economists of the early 19th century merged the entrepreneur and capitalist functions and failed to develop a theory on the differentiation between interests and profits.

**Failure of the Classical Authors** - It has been argued that The English classical economists failed to distinguish the functions of the capitalist and entrepreneur for some reasons.

Though, the corporate form of business organization, in which the capitalist role is sharply distinguished from the decision-making role of managers and entrepreneurs, until the railway mania of the 1840s, was almost absent and trading on the British stock exchange was largely confined to government bonds.

Moreover, the nature of business in the heyday of the Industrial revolution was a small to medium–sized family firm, the capital being provided by the owner, his relatives or friends. Hence, it could be said that it was not all their mistake for the absence of writing about an entrepreneur by the classical writers.

However, though the above mentioned historical reasons existed for the classical writers not to use the term ‘entrepreneur, it should not be forgotten that the same conditions existed for Richard Cantillon and which did not prevent Cantillon from discerning an entrepreneurial function, distinct from that of capitalist and the manager. [3]

Thus, it can be concluded that the absence of any notion of entrepreneurship in English classical political economy remains an unsolved puzzle in the history of economic ideas.

5] Neo-classical period-

A] Jevons, Walras- The main writers of this phase of economics like Jevons, Walras did not give much importance to the role of an
entrepreneur. The general equilibrium theory by Leon Walras, ushered era of neo-classical economics and ruled over the thinking in the late 19th century.

Walras assumed that entrepreneur is not itself a factor of production, but rather a function that can be carried on by any agent, capitalist or a salaried staff manager. His general equilibrium approach believed that in any case with a zero residual income total production is exactly ‘exhausted’ when all production agents are paid their marginal production. In his theory, capital receives interest, but profits have been eliminated and the entrepreneur ‘neither benefits, nor loses.’

B] Marginalists- Among the Marginalists, it was observed that only Menger of the triumvirate that launched the Marginal Revolution found room for the role of the entrepreneur, though he reproduced the reasoning of Thunen. It could be traced that by the turn of the century, the concept of entrepreneurship had certainly faded into the background.

C] Alfred Marshall- Unfortunately, Alfred Marshall, a great neo-classical economist gave more attention to the routine activities of managers and supervisors than to the innovative activities of the entrepreneur. But, he had recognized the role of those who do not follow beaten tracks and increase their earnings by introducing new and improved methods which result in copying by his competitors. He also was aware of the distinction between interest and profit. Thus, unlike the classical economists, he could be duly given credit for discussing the concept, but his discussion of entrepreneurship was found thin and anemic.

6] The 20th Century-

A] American Economists- In the evolution process of the concept of entrepreneurship, the next chapter came from American writer, John Beats Clark, Frederick Hawley and Frank Knight, to name a few. Among
these, Frank Knight’s ‘risk and uncertainty for profit’ could be marked as the jewel in the crown of two centuries of writings on entrepreneurship. The beauty of Knight’s argument was to show that the presence of true uncertainty about the future may allow entrepreneurs to earn positive profits despite long-run equilibrium.

**B) Joseph Schumpeter-** At the last episode of the neo-classical writings, comes the young Schumpeter who had written ten years before the Knight’s book, i.e. in 1911. As is well known, Schumpeter developed his argument by constructing a model of an economy in which technical change of any kind is absent. In this economy, due to absence of uncertainty and competition, long-run stationary equilibrium is assumed. To move away from this static position, Schumpeter traced economic change to innovations and identified the innovator with the entrepreneur. According to him, the entrepreneur was the source of all dynamic change in an economy.

For Schumpeter, the entrepreneur represented a functional role that was not necessarily embodied in a single physical person and certainly not in a well-defined group of people. In his understanding, an entrepreneur might also be a capitalist or even a corporate manager, and whether all these different functions were combined in one or more persons depended on the nature of capital markets and on the forms of industrial organization. In short, for him, ‘the entrepreneur is what the entrepreneur does’. For Schumpeter, the same person may be an entrepreneur when he/she is innovating, only to lose that character as soon as he/she has built up the business and settled down to running it along routine lines. Thus, in his way, the actual population of entrepreneurs in a capitalist economy is constantly changing because the function of entrepreneurship is typically mixed up with other kinds of activity.
It could be remarked that Schumpeter’s influence on entrepreneurial theory has been overwhelming and subsequent writers on the theme have usually defined their own position by contrasting it with his. [4]

C] Recent Concepts-

After Shumpeter again, the concept of entrepreneur was faded in background. It has been given a new lease of life by some of the recent economists. The major contributions could be credited by following names.

I] 1960s- Peter Drucker- He is honoured as a great management prophet. His concept of entrepreneur was linked with mainly two functions of a manager, namely, innovations and marketing.

II] 1970s- The main authors in this period who are worth considering in studying the evolution of the concept of entrepreneur are the economists of the modern Austrian School, descending from Ludwig von Mises to Friedrich Hayek who renovated the faded concept of entrepreneur and gave it a new life.

Israel Kirzner persuaded his stress on important role of an entrepreneur. The essence of entrepreneurship for Kirzner, consists in a personal alertness to potential gains. If one compares the approaches of Schumpeter and Kirzner, one may find a subtle change of emphasis by both the economists. The major difference could be stated as – Schumpeter always portrayed the entrepreneur–innovator as a disequilibrating force disturbing a previous equilibrium, whereas, Kirzner depicts him/her as seizing upon a disequilibrium situation and working to restore equilibrium.

Profit for Kirzner, is a costless ‘uneared’ income, being a windfall return to alertness. This view of his has been widely objected. Moreover, it has been commented that the equilibrating theory of
entrepreneurship in Kirzner is not essentially different from the disequilibrating theory of entrepreneurship in Schumpeter. However, both the approaches are quite different and can not be made to jell with each other.

III] 1980s- The latest of all the approaches to the concept of entrepreneur has been offered by Mark Casson in the 1980s. Casson synthesizes and extends the ideas of Kinght, Schumpeter, Kirzner etc. He defines an entrepreneur as ‘someone who specializes in taking judgmental decisions about the co-ordination of scarce resources.’ His view seems to be closer to that of Schumpeter than his contemporary thinker, Kirzner. [5]

Conclusion- The vast analysis and explanation on the concept of entrepreneurship by many writers once again explains the very fact that entrepreneurship involves imagination, vision and creativity which makes a systematic analysis of the concept almost impossible. To put the varied views on the concept of an entrepreneur by many authors a systematic chart showing the summary of all views is prepared.
### 3.2.1 Summary Chart showing Various Views on the Concept of ‘Entrepreneur’

**Table 3.1**

<table>
<thead>
<tr>
<th>Period</th>
<th>Thinker</th>
<th>Nature of the Entrepreneur</th>
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<tbody>
<tr>
<td>1] Pre-classical [1730s]</td>
<td>- Ricahard Cantillon</td>
<td>Pioneering concept-profit motive for exchange</td>
</tr>
<tr>
<td>2] Classical – 1770s onwards</td>
<td>Adam Smith and others</td>
<td>No separate place for entrepreneur</td>
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3.3. Who is an Entrepreneur?

After discussing the conceptual evolution of entrepreneur in economics, it would be instructive to see into the answer to the question, ‘who is an entrepreneur?’ Unfortunately, the term entrepreneur has a plethora of definitions and no consensus has to date emerged on what skills, abilities a person should possess to become an entrepreneur.

This makes one to remember Peter Kilby, who has likened the entrepreneur with a rather large and very important animal called, ‘heffalump’, hunted by many individuals but all unable to capture him. Though, all claim to have seen him and have variously described him, but wide disagreements exist. Similarly, it is hard to capture the term and role of an entrepreneur in reality. This also reminds of a mythological story of an elephant and seven blind people who tried to describe it in seven different ways.

It is generally observed that entrepreneurs are self-starters, who are internally driven by a strong desire to compete, to excel against self-imposed standard and to pursue and attain challenging goals. They work as a catalyst or agent of change and not its product.

American experts accept the concept of an entrepreneur that of a gap-filler. They also consider the plural or multiple entrepreneurship where several persons within a firm may exercise the entrepreneurial function. It is difficult to identify an entrepreneur in practice, since very rarely he acts exclusively as and entrepreneur. Majority of times, he will be found among heads or founders of firms or among major owners of stockholders.

Also, he need not necessarily hold a high official post in the firm nor furnish capital or bear risks. His main job is to make decisions of course, the right decisions at a right time in the business. And what is
right and what is wrong is again hard to decide, as there is no eternal rule of correctness in the field of entrepreneurial activity.

**3.4 Myths and Misconceptions about an Entrepreneur**- The above discussed ambiguity and uncertainty of the concept of an entrepreneur seems to be increased when myths and misconceptions attached with it are noticed.

1] **Big Size**- As is mentioned earlier, generally the big, established and successful businessmen are treated as an entrepreneur but, even a small starter of a tiny venture with little capital also could be regarded as an entrepreneur as it is not the size but the process of entrepreneurship is important.

2] **New Venture**- Also, it is not always a new venture but even the already established firms have their own entrepreneurs such as intrapreneurs and innopreneurs. The various types of entrepreneurs are discussed later in this chapter which would make it clear that the traditional notion about an entrepreneur should be modified.

3] **Profit Motive**- It has been pointed out earlier that though the main motive behind starting a business by an entrepreneur is profit, it is not the sole motive and something more than the monetary gains are always there in the mind of an entrepreneur. Chapter IV discusses the cases of selected entrepreneurs in British rule, some of which may show the non-profit motive behind starting their venture.

4] **Power Hungry**- Successful entrepreneurs are generally compared with the ruling politicians who are power hungry people and are very much reluctant to sacrifice the power they have achieved. Businessmen are not power-hungry tribe. But, the reality does not match with this belief many a times. It has been observed that businessmen know when to retire once they have fulfilled their dreams.
Many examples of real life business heroes can be stated here to prove this point. Viz.- A surprising news of stepping down by Bill Gates from the Chairmanship of the biggest software company, ‘Microsoft’ which he pioneered in the 1980s, is quite interesting. Bill Gates is not alone of this kind. Mr. Narayan Murthy, founding chairman of ‘Infosys Technologies’, one of the biggest Indian software companies also has decided to retire from active leadership in the company. The two examples may prove the detachment nature of the successful entrepreneurs and also more interesting and distinguishing feature of these businessmen from the tribe of politicians could be shown as both of them have not passed their business to their next generations.

5] Risks- Also, for a common man’s eye, an entrepreneur plays his game of risk-taking blindly as a gamble. Though, it looks a gamble for the outsider when a businessman takes unusual decisions, many a times there are calculated risks and strategies behind his so called blind game. The misunderstanding about his bold and blind strategies occur mainly because of limited abilities of a common man to visualize the future. [6]

3.5 Entrepreneurship and Innovative Leadership -

Leadership is not doing great things, but doing things differently. That is what an entrepreneur does. Therefore, entrepreneurship and leadership are sometimes taken synonymously. For Schumpeter, a creative insight or relatively condensed activity is a prime role for an entrepreneur. Schumpeterian innovation concept is self-explanatory. Among the five types of innovations given by him, generally creation of ‘new product’ is considered as innovation even by the producers themselves. In words of Schumpeter, innovation leads to ‘temporary monopoly’ which puts an entrepreneur in a leader’s position. [7]

It is rightly pointed out by an author, that ‘if you haven’t been laughed at in a long time, it means you haven’t come up with new ideas.
Here, one thing can be concluded for certain that entrepreneurs are never ‘copy-cats’ but are original track-setters in their own way. For instance, the idea of bottled water was first laughed at! And now one can see how successful the idea has become. [8] Hence, entrepreneur is nothing but to know one’s capabilities and try to achieve them in fullest capacity.

It has been observed and agreed upon that the best entrepreneurial leaders have a compulsion to begin with because they cherish a cause which must be fulfilled, a goal that must be reached, notwithstanding the difficulties on the way and the conflicts they involve themselves in. They never hesitate in doing what they think is right. Because, they are quite impatient and think it is already too late. An example of Mr. Watson of IBM company can be stated here. Watson who was running a manufacturing unit of domestic goods such as calculators and other domestic consumer things, one day came home announcing for a new company manufacturing computers in a great hurry and enthusiasm. Same kind of story goes with Mr. Narayan Murthy, founder of Infosys Technologies, a world-famous Indian software company. A settled engineer by profession, in his forties all of a sudden started a new venture along with his six friends, the reason behind such a decision would be understood by no one except an entrepreneur. [9] Thus, entrepreneurs are impatient about the new ideas until they are successfully implemented.

A leader entrepreneur is a ‘bellwether’ according to John Adair. [10] In the modern context, leadership in a business firm is considered at three levels. There are ‘team leaders’ at the bottom level who manage the workers daily activities, above them there are leaders at the operational level who conduct the routine work of the whole business and at the top, there are ‘strategic’ leaders who concentrate at the aim and vision of their firm. From the bottom to the top, it is believed that the shape of the leadership structure is like a pyramid, i.e. there are many people working
at the bottom as team leaders, a few at the middle level and just one or two at the top of pyramid who actually lead the business. All cannot become the strategic or top level leaders. Only a few can show their skill and talent to lead over other and do new things. The ‘hour-glass’ model explains this fact.[11] The top level leader are entrepreneurs in our view and are the ‘torch-bearers’ as explained by Plato.[12] Plato’s concept can be regarded as early Taylorism. [13]

Some thinkers give ‘Functional approach’ to the emergence of leadership. As per this approach, leaders come into existence according to the functions they perform. Social psychology deals with this approach. The ‘situational’ approach or the contingency approach is one of the recent developments in leadership studies though it dates back to Socrates, an ancient Greek philosopher in 300 B.C. The answer to the question, why one person in a group becomes a leader? – is -- ‘it all depends on the situation’. [14] For example, during the second world war period, Winston Churchill, then prime minister of Britain received the utmost honour as a leader of the nation who drove the country through the War. However, as soon as the war got over, he was not regarded as a leader of the nation and lost the power.

In short, it is very difficult to answer who can become the leader, either in a business or in any other field. One thing can be stated for sure that the process of decision-making plays a great role in the leadership behaviour.

3.6 Entrepreneurship and Decision Making

Decision making has newly become a separate branch of study and is gaining much attraction and attention from scholars in various disciplines of knowledge. The study of decision making process deals with branches of study such as mathematics, economics, sociology, psychology, political science and philosophy with ethics.
In the context of entrepreneurial behaviour, the decision of people to choose to start a new venture rather than work as an employee becomes the issue of the study. Why do some people decide to be an entrepreneur, rather than becoming something else? This is a million dollar question for any study in entrepreneurial evolution and development. The ‘SWOT’ analysis [15] developed in the 1960s tried to give a systematic approach to the process of decision making in a business. In 2005, Malcon Gladwell has remarked that ‘our instantaneous decisions are sometimes better than those based on lengthy rational analysis.’ Especially, this view can be applied to the decisions of entrepreneurs to start or expand their ventures all of a sudden which may seem rather an unwise decision for the society. But, many of such type decisions have become successful and their venture have achieved a great success.

Entrepreneurship is nothing but learning the skill of conquering a culture of indecision- i.e. inability to make any decision. Those who can’t make up their minds about certain things, these people can never become an entrepreneur. Logic, intuitions and emotions may each have a part in decision making. It is inevitable that emotions play a part in a decision, but a responsible leader should avoid decisions based on his personal feelings, convenience or fame. [16]

An entrepreneur is always surrounded by men and their problems, may it be labour, government officials, dealers, or the consumers. Hence, man-management becomes an integral part of his role. In fact, the success he receives largely depends upon how he handles his men. A brief look at the interrelationship between entrepreneurship and man – management activity is much important.
3.7 Entrepreneurship and Man-Management

Napoleon Bonapart, the Great French leader had said once,’ there is no such thing as a bad soldier, there are only bad officers.’ Though, an entrepreneur is a leader of the firm, it has been observed that in modern times, the difference between the leader and followers is almost vanishing. Hence, modern leadership is not strict dictatorship. The modern aspect of entrepreneurship must keep it in mind that human resource in the business is at the center and man behind machines is more important.

Bottlenecks in leading a successful entrepreneurship arise many a times due to failing in knowledge of man-management skills. In the early phase of Industrial Revolution in Great Britain, labourers were treated inhumanly and were not considered as human beings, different than other inputs. It was Robert Owen, an industrialist himself who pioneered the humanity approach in industries. Even in Ford Motors, in the early 20th century, Henry Ford, the founder of the business was not very keen on maintaining his labour and personnel relations in a friendly way. It is reported that he was rude and rigid in his approach and always treated men under his command with dictatorial approach. He was neither for the customer’s side and did not think their mentality. If a modern entrepreneur at present times, follows his behavioural pattern, there is no doubt, that he will have to close his unit at a great loss within no time. Modern entrepreneurs know the importance of man-management. Azim Premji of Wipros, Narayan Murthy of Infosys Technologies, and Bill Gates of Microsoft all have achieved a great success in their business partly just because of paying a good attention towards human relations within and outside their business. [17]

An entrepreneur has to work with the factors of production traditionally assumed to be four- namely, land, labour, capital and
management. Recently, business experts have added the fifth one to this list. It is factor ‘time’ which forms the foundation of every other factor. Hence, entrepreneur and time-management are inseparable functioning.

3.8 Entrepreneurship and Time-Management-

‘Time is Money’, the old proverb says. It is true in the entrepreneurial field. Economics of time is very important for an entrepreneur to master himself in. Unfortunately, the importance of time in business is ignored by many entrepreneurs.

In the western economies time is treated as a resource, which could be one of the causes of their success. However, in India, time is not yet considered as a valuable factor for achieving success in business. It has been observed that only those extra—ordinary entrepreneurs are keen on managing time well and using the time resource productively. Along with being strict on time management, an entrepreneur also has to maintain his role as a ‘change-champion.’ Change-champions are those who always are in search of change for better. A welcome approach to a change is a peculiar condition of a successful entrepreneur. [18]

After a detailed discussion on various facets, a survey of systematic definitions of an entrepreneur would make the picture more clear.

3.9 Various Definitions of an Entrepreneur-

Many economists and management experts have given different definitions of an entrepreneur. However, there is no standard definition of an entrepreneur which can be regarded as a complete definition explaining all aspects of his role.

G. D. H. Cole described entrepreneur as—‘Purposeful activity to initiate, maintain and develop a profit-oriented business.’ This definition is a working definition at a primary level and does not reflect the true role performed by the entrepreneur in the society. J. S. Mill, the last classical economist has been given the credit for making the term ‘entrepreneur’
into general use among economists. Mill considers direction, control, superintendence and risk-bearing to be the functions of an entrepreneur. He believed that risk-bearing distinguished him from the managers. [19]

Webster’s Third New International Dictionary [1961] defined the entrepreneur as –‘an organizer of an economic venture especially one who organizes, owns, manages and assumes the risk of business.’ The definition seems to be better and improved than that of Cole as it considers the risk factor in the role of an entrepreneur.[20]

Max Weber who has given a profound theory of entrepreneurship, believes that entrepreneur is the ultimate source of all formal authority within the organization. Besides this definition of an entrepreneur, Weber has also propounded the ‘protestant ethic theory of entrepreneurship’ which is explained in the later part of this chapter. [21]

Schumpeter’s views on an entrepreneur are pioneering in economics. He defined and entrepreneur as an innovator who provided the indispensable driving force that powered capitalist growth. He says, ‘the entrepreneur in an advanced economy is an individual who introduces something new in the economy- a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like. His function is to reform or revolutionize the pattern of production by exploiting an invention or more generally an untried technology, possibility for producing new commodity.’

This definition is still regarded as the most scientific approach to the role of an entrepreneur. The definition stresses on the innovative function of an entrepreneur as the core of his duties than any other functions he performs. Surprisingly, Schumpeter insisted upon that risk bearing is not an entrepreneurial function and that all risks of an entrepreneur are borne
by the capitalist as he invests in the business. In fact, it has been stated that he stressed on the factor of ‘good health’ for an entrepreneur as a primary requisite to be successful in the business.

Peter Drucker is honoured worldwide as a great management prophet. To him, management was a liberal art rather than a bundle of tricks taught in B-schools. According to him, managers, i.e. entrepreneurs draw on all the knowledge of the humanities and social sciences. He stressed on systematic innovation as he believed that business is only two functions- innovations and marketing. [22]

Mark Casson, as mentioned earlier, synthesized and extended previous work by Knight, Schumpeter, Kirzner and many others. He defined an entrepreneur as ‘someone who specializes in taking judgemental decisions about the coordination of scarce resources.’ His theory throws light on the long-lived reluctance in economic thought to divorce proprietorship from entrepreneurs. [23]

A synthesis of all the above definitions could be like this – ‘An entrepreneur is one who along with managing a business in its day-to-day functions, takes decisions and bears the risk and welcomes changes.’

Further, the complexity of the concept of an entrepreneur becomes wider when generally, a manager is confused with the entrepreneur. The dichotomy between a manager and an entrepreneur is presented below.

3.10 Difference between a Manager and an Entrepreneur-

The present issue arises from the fact that the entrepreneur is not identified by formal rank or title but retrospectively, after the successful practice of innovation. Entrepreneur’s function can exist at all levels in the hierarchical firm, and it can not be said for sure at what rank or level he may be seen in working.

Moreover, his innovative function also could be not of his own, but he may borrow novel ideas created by others and successfully exploit
them if he recognizes their useful value. An entrepreneur thus has a vision for his business unit and can shape its future by accepting challenges.

A manager could be a paid staff just like an entrepreneur but he has got only ‘tunnel vision’ for his narrow range of tasks of managing day-to-day work.

In case of less developed countries like India, an entrepreneur is tied in the ropes of bureaucracy and slow growth and hence it is many a times argued that the entrepreneur is not much different than a business manager. The so-called dichotomy between the role of a manager and that of an entrepreneur does not seem to have a strong base. As Schumpeter puts it, an entrepreneur once fulfilling his job of innovation and creativity can become the routine manager of the business. An entrepreneur is not an entrepreneur for all time. [24]

A conclusion of the dichotomy between a manager and an entrepreneur can be put as- an entrepreneur is a creative manager!

Schumpeter’s opinion was that risk bearing is not a function of an entrepreneur, as he may not bear financial risks because, he may not invest his capital in the venture, but other types of risks apart from that of financial nature are always their in his role and a successful entrepreneur tries to overcome the stress and strains of these risks while making decisions in the business. Hence, an analysis of the risk bearing function of an entrepreneur might prove proper while studying the theory of entrepreneurship and tracing the evolution and growth of entrepreneurs.

3.11 Risk Bearing and Entrepreneurship-

It is not so that only entrepreneurs face the highest risk than in any other professions. In fact, in some other profession as that of the medical practitioners, the nature and intensity or risk, stress and strain is of much
higher level than in the business entrepreneurship. However, it should be agreed that it is not all bed of roses in the entrepreneurial job.

Apart from financial risks, an entrepreneur faces many other types of risks while carrying innovations and making decision in the business. The first risk for an entrepreneur starts when he chooses to be an entrepreneur. Other professions could be equally possible for him and the opportunity cost of the foregone professions leave him in major stress and strain. Of course, a true entrepreneur may not repent on his choice of becoming an entrepreneur, but the psychological stress leaves its impact. Moreover, he becomes successful at the cost of his family life and other social bindings. An entrepreneur can devote to his venture and innovation function only by staying away of enjoyments in life and apart from the psychological loss, it may demand a good quality of physical and mental strength on the part of the entrepreneur. Being an entrepreneur is not doing a ‘nine to five’ job in an office but sacrificing 24 hours of a day for the single cause of developing the business. The stress of loneliness, frustration, disappointment etc. all create a lot of stress on the entrepreneur. To quote Narayan Murthy, in this context would not be improper. He advised the budding entrepreneurs in these words,’ The profession of business requires focused work in a given time limit and carries open and hidden responsibilities which may overburden the mind and life of the entrepreneur. This keeps him busy all the time in his profession and there is hardly any time left for other interest of his’. [25]

Competition of the rival firms, unavailability of inputs, the policy of the government, change in the demand pattern, and many such external factors beyond his control, make his life full of anxieties, uncertainties, and worries. Business ethics is another issue which leads to a mental crisis in the entrepreneurs. Conceptually, there should not arise any question of choice whether to practice ethically or not. Business is a part
of the whole human life and ‘what is good for life must also be good for the business. In reality, business is a rude profession, and does not consider sentiments and also human values. Sentimental entrepreneurs may not adjust to this kind of atmosphere in the business and may face a dilemma whether to continue or close in the unsuitable conditions. However, there is hardly any return journey allowed and once started a business must be continued in its proper spirit. All this adds to the total strain on the entrepreneur. [26]

From the above discussion, it may seem that starting and running a business is ‘all work and no play’ to an outsider observer. This is not true, despite all the difficulties, all frustrations, there could be a joy in having done something different and better than others.

3.12 General Characteristics of an Entrepreneur- A Summary –

Though, it is very difficult to summarize the nature of characteristics of an entrepreneur in general, the guideline provided by Mr. Vitthal Kamat, a successful hotelier can be stated. He advises the would-be entrepreneurs to believe in the four ‘D’s in their behaviour–determination, dedication discipline and finally destiny’. Generally speaking, an entrepreneur must be a ‘jack –of –all trades’ who need not excel in anyone skill but is competent in many. He should know how to get the work done from others efficiently. While competing with their rivals, they should not play a battle on the ground but should maintain a good amicable relationship with his competitors. The cooperation and support extended to others is termed as ‘brotherhood entrepreneurship or ‘ true blue- entrepreneurship. [27]

A few selected names in the list of successful entrepreneurs can be examined from the viewpoint of their characteristics.
3.12. 1- Case Studies

1] Mr. Karsanbhai Patel of Nirma Chemical Works, set up in Ahmedabad achieved a great success in the detergent market in the domestic sector just because of his smart pricing policy and developing a mass market throughout the country since late 1970s. He kept the price of his ‘Nirma’ detergent washing powder at quite an affordable level compared to his competitors such as Hindustan Lever and Surf. He conquered the mass common market through a heavy advertisement campaign.

2] Aspi Balsara of Balsara Hygiene Products is another such example who introduced herbal toothpaste brands such as Promise ‘and’ Babool’. His strong marketing strategies gave a tough fight to the big established brands such as ‘Colgate’.

3] Godrej people are known for their earned reputation for more than a hundred years for honesty, quality and variety. The brand ‘Godrej’ has entered in a number of domestic products, from bath soaps to locks and from refrigerators to ready to eat chicken and juices. Chapter IV will discuss the case of Godrej industries in more details.

4] House of Tatas is not lagging behind. With a true Parsi spirit of philanthropy to the society, Tatas have reached every man’s house with their diversified product range, from salt to steel. The third generation successors of Tata Group have not disappointed their customers and spoiled their reputation as ‘true entrepreneurs’. It was Tatas who pioneered the industrial development process in the country in the early 20th century. The undying flow of their zeal and entrepreneurial spirit is commendable. [28] This case also has been included in the analysis of Chapter IV.

To conclude the nature and characteristics of an entrepreneur one can only say that there is no fixed formula for becoming a successful entrepreneur but the successful entrepreneurs themselves set the example
of the ideal characteristics by their own example to be followed by the next generations to come.

3.13 Types of Entrepreneurs-

Introduction- Recently, in the late 1960s and early 1970s, efforts were made to classify different types of entrepreneurs. Though, it seems to be a complex affair to classify the class of entrepreneurs, a look at different types of entrepreneurs would be beneficial to understand the theory of entrepreneurship which is discussed later in the study.

Basically, the two sets of entrepreneurs are believed to exist. These sets are the ‘craftsmen’ entrepreneurs and ‘opportunistic’ entrepreneurs.

1] The first category of entrepreneurs is limited by cultural background and social involvement.

2] On the contrary, the opportunistic entrepreneurs have broader social involvement and more aggressive approach as they grab the opportunity to become an entrepreneur to prove themselves.

3] Moreover, the pioneering entrepreneurs, who start a new venture and face the entire responsibility are important as they are the ones who initiate the process of development and growth of industries where there was none.

This class stands on the top above all other types of entrepreneurs from economic point of view. India is proud enough to boast the large army of such founding entrepreneurs not only in the recent times, but also in the pre-Independence period. Jamshedji Tata is doubtlessly among the leaders in this list. Lakshmanrao Kirloskar, founder of Kirloskar Engines is another such example. Both the industrialists struggled hard to initiate and settle their projects of their dreams in the unfavourable surroundings in the British rule. They can be regarded as social visionary. Chapter IV discusses the process of evolution of these and many other pioneering entrepreneurs.
4] Though, the founding entrepreneurs are extra-ordinary in pursuing their dreams, the second and third generation entrepreneurs are not less important. Many times, it is observed that the spirit of entrepreneurship may not be inherited from the earlier generation still, some cases of successors in big business families have shown their entrepreneurial qualities to the extent of surpassing their pioneering ancestors.

The Tata Group along with the Kirloskars could be stated as among the rare examples which has presented a series of competent and genius entrepreneurs through generations together. Reliance Group of Industries also seems to be fortunate to get the competent second generation owner entrepreneurs in the form of Anil and Mukesh Ambani brothers after its founder, Dheerubhai Ambani.

The above categories of entrepreneurs belong to the primary category of ‘owner-entrepreneurs’ class. But, in modern times there is a divorce between the capital and entrepreneurial qualities. It is hardly possible that owners i.e. those who invest their capital become successful entrepreneurs. Modern business firms are run by the capital from the stock-holders who are rarely concerned about the working of the company and also they are hardly consulted in the business matters. Their role is limited just to receive the share of profits from their investments.

5] It is the paid entrepreneur inside the firm who manages the whole business by taking decisions and accepting the risk factor involved in his decisions. This category of entrepreneurs known as ‘intrapreneurs’ and innopreneurs has been introduced in the theory of entrepreneurship.

The list of successful intrapreneurs is again long which includes Kiran Karnik of Nasscom, Nandan Nilekeni of Infosys, Russi Modi of the Tata Group etc] These entrepreneurs do not just act as a salaried staff but bear the ultimate responsibility. No doubt, in a nation where intrapreneurs
are blooming in their true shine, the ‘bottom up’ revolution in the industrial sector could be experienced.

6] In the less developed countries, leave aside the innovative entrepreneurs, even the **imitative entrepreneurs** should not be taken as less important. Japan surprised the world in the development of its industries after the Second World War only on the basis of their imitative entrepreneurs who imitated the latest inventions from U.S. and successfully marketed them the world over.

7] As there are bold entrepreneurs who are risk-lovers and do not hesitate to face the challenges, there are at the same time the **safe-players** who are stubborn and refuse to change and apply novel methods in their business. Many a times they keep their methods secret from others, thinking to avoid a competition in the market. The Coca Cola company established in the late 19\(^{th}\) century in US, is sharing the world soft-drinks market successfully over these long years only by not changing their formula of the drink and keeping it secret from others. They could be also called negative innovators.

8] Apart from business entrepreneurs, a new class of **social entrepreneurs** is recognized in modern times who initiate not a business or manufacturing firm, but a religious or social trust or organization which plays a crucial role in changing the mind set of the society. The non-governmental organizations, the NGOs are developing fast and are becoming a parallel stream of socio-economic development of the economy.

9] The young, talented inventors who think and try for other alternative products than the currently used ones only on experimental basis can be called, **‘incubative entrepreneurs’**. Their scholarly invention deserves a due credit and should be used by the established entrepreneurs who can borrow their ideas if they see them to be practical.
The incubative entrepreneurs for instance are those who invent the options for use of petrol in the engines of the vehicles or find out solution for the growing pollution, invent a product called bio-plastic which is biodegradable and so on.

10] Also, the academic entrepreneurs who are scientists, inventors, patent holders or researchers in different fields of science and technology with the soul aim of changing and improving common man’s life, should not be overlooked from the category of entrepreneurs. Of course, the proportion of such kind of entrepreneurs is very meager compared to the kinds discussed earlier.

Some examples of academic entrepreneurs are seen in the real life in recent times. However, the general scene is not much satisfactory in respect to these especially in India. [29]

It could be suggested that the established businessmen should be in search of such brilliant brains and be keen for the applications of the new research. Not only it would benefit the businessmen, but also would increase the rate of innovations and inventions in the economy.

11] Entrepreneurs in the Less Developed Countries –

This could be referred as a separate category of entrepreneurs because of their genuine characteristics and background. Unfortunately, the thinkers of the developed nations, including Schumpeter, never thought that entrepreneurial functions would change for time and place. The neglect for this class remained till the social scientists began to consider the economic history and study of the less developed countries in a much more interest after 1950s.

Hoselitz remarked that in the less developed countries, not to speak of Schumpetarian innovators even imitator entrepreneurs had a distinct role to play. [30]
The process of innovation in the less developed countries is regarded with special attention and is termed as ‘meta-innovation’. The process of such an innovative activity can be illustrated with two real examples – In Mexico, wheat crop was very popular and rice was grown extensively in Philippines. New varieties of these two crops in these countries were tried as to meet the needs of time. Gradually, the new varieties of wheat and rice were cultivated elsewhere in the world leading to a big crop revolution- what is named as ‘green revolution.’ Thus, the need of the time in the less developed countries led to a world-wide revolutionary phase in agriculture. ‘Meta’, according to Webster’s Dictionary is more highly organized or specialized.

12] James Berna, calls rural agricultural innovations by farmers very important and names such innovative farmers as ‘humble’entrepreneurs. These’ humble’ entrepreneurs stand in contrast to the Schumpeterian concept of innovators of the developed industrial world. [31]

**Conclusion**- A conclusion can be drawn that entrepreneurship is not an uniform category, though the basis instinct of innovating and creativity remains common for all the types of entrepreneurs. A summary chart showing various types and examples of entrepreneurs could be prepared as follows.
### Summary Chart of types of Entrepreneurs

<table>
<thead>
<tr>
<th>Type of the Entrepreneur</th>
<th>Nature of Entrepreneurship</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1] Craftsman</td>
<td>Low social and economic background</td>
<td>Small shopkeepers, traders, small and tiny entrepreneurs</td>
</tr>
<tr>
<td>2] Opportunistic</td>
<td>Aggressive, bold and daring</td>
<td>Ambainis, Bajaj etc.</td>
</tr>
<tr>
<td>3] Pioneering</td>
<td>True entrepreneurial spirit, courageous, hard working</td>
<td>Lakshmanrao Kirloskar, Jamshedji Tata</td>
</tr>
<tr>
<td>4] Second Generation</td>
<td>Inherited business, challenges of remaining successful</td>
<td>Shantanurao Kirloskar, JRD Tata</td>
</tr>
<tr>
<td>5] Intrapreneurs/innopreneurs</td>
<td>Not owners but a salaried staff showing extraordinary entrepreneurial abilities</td>
<td>Nandan Nilekani, Kiran Karnik</td>
</tr>
<tr>
<td>6] Imitative</td>
<td>Imitation of latest technology for profit</td>
<td>Japanese entrepreneurs</td>
</tr>
<tr>
<td>7] Stubborn</td>
<td>Firm, unchanging strategies</td>
<td>Coca cola, Ford motors etc.</td>
</tr>
<tr>
<td>8] Social entrepreneurs</td>
<td>Social Organizations, Non-Governmental, non-profit organizations</td>
<td>Mahaila Grih Udyog Pvt Ltd.</td>
</tr>
<tr>
<td>9] Incubative</td>
<td>Young, Useful inventions, lack of business experience</td>
<td>Scholars and researchers working for the society.</td>
</tr>
<tr>
<td>10] Academic</td>
<td>Scientific inventions, lack of business attitude.</td>
<td>As per the above example</td>
</tr>
<tr>
<td>11] Humble</td>
<td>Professionals improving their daily work procedures</td>
<td>Small farmers inventing useful simple tools for farming</td>
</tr>
<tr>
<td>12] Meta entrepreneurs</td>
<td>Application of Scientific inventions</td>
<td>Green Revolution in India and other LDCs</td>
</tr>
<tr>
<td>13] Entrepreneurs in LDCs</td>
<td>Small, imitative ventures</td>
<td>Small farmers and craftsmen innovating economically</td>
</tr>
</tbody>
</table>
3.14 Theories of Entrepreneurship-

**Introduction**- The nature and characteristics of the entrepreneurs are so diverse that it is hard to think, ‘how does an entrepreneur get into the 'business?’’, by applying any single theoretical approach. Different theories have been developed to answer the above question. However, it is agreed upon that there is no ‘best’ theory, which can be singled out of the sea of many theories developed. In fact, there are some thinkers who believe that the theory of entrepreneurship and growth of firms could be regarded as a separate branch of study. The major three categories in the theory of entrepreneurship are-

1] Economic Theory
2] Psychological Theory and
3] Social Theory.

The basic difference between the approach of these theories could be put as that the economists may examine economic activities of an entrepreneur for formulating their hypotheses, the sociologists may consider an entrepreneur as a part of the whole society and may be interested in group relationships and the social background of an entrepreneur, while psychologist might study the behavioural pattern of the businessmen and the anthropologist might study a firm as a cultural institution developed by a particular ethnic group or groups within a society.

The present study tries to develop a holistic approach towards the process of entrepreneurship by applying economic, psychological and social theories to the data and information available in this field.

3.14.1 Economic Theory of Entrepreneurship

As mentioned earlier, the economists thrust on rationality and profit maximizing aspect of an entrepreneur. He generally studies
entrepreneur’s market behaviour i.e. price and quantity decisions. Some of the major economic theories of entrepreneurship are discussed below.

1] Kirzner related the process of firm behaviour with the concept of economic equilibrium in the economy. It is the absence of the economic equilibrium in a society which attracts an entrepreneur to business enterprise leading to profit opportunities was his main angle to look at the entrepreneurial behaviour. Entrepreneurial activities will move the economy toward equilibrium, changing circumstances will always create new profit opportunities, provided the government does not interpose rigidities and constraints was his explanation. His approach was entirely based upon the theoretical base because there is hardly any study available which shows the economic effects of entrepreneurial activities on the economy. Many others like Ketzel, Kent and Broshel have provided similar approach to that of Kirzner. [32]

2] Schumpeter on the contrary, argued that the entrepreneur’s role not only exists in disequilibrium, but is in fact, disequilibrating. His entrepreneur disrupts the existing equilibrium when an entrepreneur makes a profit, where resources have been disallocated, this tends to bring the process toward equilibrium. Markets are continually being pushed away from equilibrium by changes in the environment and brought back by entrepreneurial pressures. Thus, in his opinion, dealing with an entrepreneur is dealing with disequilibrium process. Entrepreneurs also have one more economic job to play in the economy according to Schumpeter. They also identify and stimulate demand through advertising. Entrepreneurs through advertising may enable consumers to realize what it is that is available to them and what they would to take advantage of. [33]

3] Advertisements- In modern times, the role of the advertisements on the pattern of demand has become importatt. Hence, economists may
study with this angle in analyzing the entrepreneurial behaviour. However, this approach cannot explain the cause of evolution of entrepreneurship in a particular period in a particular society, hence, it is out of the purview of the present study.

4] **Success and Failure**- Economists may also study the entrepreneurship by asking the question- ‘why do some businesses fail and others succeed?’ This aspect also does not fall into the purview of the present study.

5] **Motives**- Generally, the entrepreneurial motives are considered as - material prosperity, public recognition and esteem and above all the welfare of the society.

6] **Initial Capital**- This is considered as the major factor which leads to the choice of becoming an entrepreneur rather than choosing some other profession. Many empirical studies have stressed on the availability of the capital to start a business. However, many other experiences do not prove this view. Initial capital does not hold much importance to the budding entrepreneurs if the desire to become an entrepreneur is strong enough. Chapter Four would show this with the help of some cases of entrepreneurs.

For an increasing entrepreneurship level in an economy, the process of industry must be accompanied by structural changes in the occupational structure. This has been experienced by Japan, Turkey, Greece, Mexico, UK etc. It also requires a shift in the investment pattern in favour of industry, based on indigenous technology and resources. Thus, not only the initial capital level matters most but the entire economic environment does influence greatly for the development and growth of entrepreneurship. [34]

**Conclusion**- It can be concluded in the discussion of the economic theory of entrepreneurship that it is mainly the lack of proper economic
infrastructure which prevents the would-be entrepreneurs from going for their choice of becoming an entrepreneur. Their desire, spirit and efforts get no proper environment where they can shine in their true strength.

Among the other than economic approaches, psychological approach to the theory of entrepreneurship is considerably important as human psychology and entrepreneurial behaviour are very close to each other.

3.14.2 Psychological Theory of Entrepreneurship-

The decision-making process of an entrepreneur is largely a psychological process and therefore, an analysis of important psychological factors in relation with the entrepreneurial behaviour would of more use. Social psychology, an important branch of psychology deals with this issue. Entrepreneur’s psychology has received a great deal of attention for modern social psychologists.

1) G.D.H. Cole brought sharp focus on need for definitive research on character of entrepreneurs. The ‘need for achievement’ - popularly termed as ‘n-ache’ given by McCelland is desire to express oneself through work, which is considered close to ‘self-actualization’ concept in psychology is one of the main motives for taking the decision of becoming an entrepreneur.

However, the relationship between ‘n-ache’ and entrepreneurial behaviour is difficult to determine. Also, the casual link between ownership of a small and a high ‘n-ache’ is not proven. As per this view, those with high ‘n-ache’ will become an entrepreneur rather than accepting a job for their career more than those with low ‘n-ache’ level. The desire to prove oneself by doing something different is at the base of entrepreneurial behaviour. Who will have a high ‘n-ache’ and who will not is not an easy question to answer.
McCelland tried to develop this approach and also linked it to another concept called ‘locus-of-control’. There is no evidence to suggest that ‘n-ache’ is an important characteristic of entrepreneurial development. It is generally considered as one of the components which determine the entrepreneurial decisions. [35]

2] **Locus-of-Control Theory** states that an individual perceives the outcome of an event as being either within or beyond his personal control and understanding. The theory has been developed by Rotter, who believed that ‘n-ach’ is related to the belief in internal ‘locus-of-control.’ The approach explains that an individual tends to put forth greater effort when he perceives that his actions will directly result in personal achievement. Various studies in the late 1960s have shown that internal-locus-of-control type individuals do indeed have a more prominent ‘need for ach’. These studies have established a relationship between a high ‘n-ach’ and belief in the internal locus-of-control. Entrepreneurs are more internal in their locus-of-control beliefs than the general population. It also holds promise for distinguishing successful entrepreneurs from the unsuccessful entrepreneurs. [36]

The micro view or the ‘People School’ discusses the concept of locus-of-control in terms of entrepreneurial traits, his habits, personality, attitude, mindset etc. which influences his decision making. The reasons and situations which lead to his entrepreneurial evolution and growth are hidden either in his personality, home or family. Here, external factors play very negligible role in influencing his decision making. Micro view is psychological in nature and stresses firmly on the ‘kind of nature of a man’ who wants to be an entrepreneur. [37]

Such type of entrepreneurs were seen in India to a large extent even in the past. Jamshedji Tata, who pioneered ‘Tata Steel Factory’ almost a century ago in a very unfavourable and hostile environment in the pre-
Independence period. Dheerubhai Ambani a petty salesman with no business background and capital rose to the sky with his immense capacity to face challenges and fulfill the dreams by raising the business empire of ‘Reliance Industries’, India’s largest business in the private sector in the post-Independence period. He did not bother about the not so suitable socialistic political situation and a strict ‘license –raj’ in which it was hardly possible to think of a big industrial house in a private sector. Such entrepreneurs do not accept the circumstances as they are, but create their own circumstances.

On the contrary, the concept of external locus-of-control is explained with the macro view which studies the external influence of socio-political conditions on the entrepreneurial process in the economy. This approach is also known as ‘environmental school of thought’. The approach focuses on the socio-political environment, business opportunities and group phenomena happening in the society by which some communities, groups are forced out and displaced from their native region due to some social, religious or political forces such as war, revolutions, partitions of a country etc. They are prohibited from some activities of livelihood and hence there is no other way left for them but to engage themselves in trade and business. History has many such examples of the environmental influences on the business and entrepreneurial growth. Due to the partition of India at the time of Independence in 1947, Hindu people from Sindh, a region in the newly created Pakistan were forced to leave their native place and migrate to the Indian regions. They mostly settled in the Western Maharashtra. They had no other option of livelihood but to start a tiny business or trading. Gradually, this ‘Sindhi’ community became famous as the business and trader community after one or two generations. Also, culturally and religiously displaced Jew community migrated from west Asia to all over
the world and ventured out business for their living and became the leading community in economic activities of the respective migrated countries. The same is the story of the Parsis, which is discussed in details in the chapter further.

This can be explained with the theoretical approach. There are two theories in this respect- strategic choice model and ecology model or environmental determinism in relation to entrepreneurial decisions. The former believes in appropriateness of individual strategy than favourableness of environment. The model believes in the view that an individual is capable of knowing the best strategy for his entrepreneurial behaviour, while the later approach minimizes the role of an individual entrepreneur and gives more weightage to environment. Hannen and Freeman [1977] were first to adopt this model. It stresses on favourable external situation in which entrepreneurial behaviour would be flourished. In absence of such an environment, it is believed the individual capacity of innovative entrepreneurship does not exist. This in other words is termed as macro view of entrepreneurial theory which focuses on external dominance on the process of entrepreneurial behaviour. [38]

Certain communities in India for example, Marwaris from Rajsthan are considered having high ‘n-ache’ for business and trade enterprise. However, Marwaris could not establish themselves in their birthplace because it was ravaged by feudal life system where there was no scope for initiating business activities. This gave them opportunity to move away to Bombay and Calcutta where they became a leading business community in the period of late 19th century and early 20th century. Chapter Five analyzes the role played by the community in the entrepreneurial development.
It is not only the benign and nurturing environment, but also hostile and adverse ones that may contribute to innovative enterprises. Entrepreneurial growth in Japan and USA can be compared in this regard. Japan with scarce natural resources and adverse natural atmosphere became an entreprenising economy by overcoming her difficulties and USA with abundance of natural resources achieved the same position. [39]

Hence, no fixed answer can be provided whether the macro or the micro view leads the situation. entrepreneurs or whether same environment can produce different reactions from different entrepreneurs. 3] **The Displacement theory** of entrepreneurship of the macro view ,seems dominant in the psychological approach. The migrants from other places have shown a high entrepreneurial spirit world wide. The example of Parsis and Jews who migrated from other parts of the world to India and developed their entrepreneurial ability is remarkable. Also, the Lebanese and Syrians in Brazil, Asia Minor refugees in Greece, Christians in Syria and Lebanon, Chinese in South Asia, Indians in Mauritius and West Indies, Spanish and French in Mexico, Sindhis in western India, Gujaratis in South Africa and many others. Among these, the example of Gujratis who migrated to African countries in the 19th century in search of new opportunities could be of much interest to know. It is agreed that the African private enterprise was mainly run by the foreigners either British or French or Indian Gujratis. However, there are contradictory views on the emergence of Gujrati entrepreneurs in African countries. Though, the community was recognized as a highly entrepreneurial class, something went wrong in their business ventures in the early period of migration. Gujrati small traders went to Zanjibar with little or no money. Many were illiterate and had hardly any experience in trade or commerce. They had background of
agriculture. It is likely that migrants underwent an ‘initiation ‘period in the Indian ports where they under guidance of family and community members learnt something of overseas trade. It is reported that many were related to agriculture and sold cow milk and farm products in the beginning. The Gujaratis in Africa had to experience bankruptcy and failures in business too. The main reasons for business failures were bad management and personal circumstances like death of wife/ brother etc. health problems, expenses of marriages etc. than bad market, high interest rates and other such business related factors.[40]

This shows the failure of social theory of entrepreneurship, which has been explained further and importance of the method of trial and error in the process of evolution and development of entrepreneurship.

4] **Social Marginality** of certain ethnic classes in the society also tends to lead them towards business enterprise. Hagel’s theory is well known and is widely quoted in this regard. He explained that the so-called ‘low – status’ communities all over the world, became businessmen as they sought to overcome their social grievances by means of economic creativity and venturing. He draws upon historical cases from Japan, Colombia, England, and Russia. He argued that entrepreneurs always come from the sub-dominant groups. He gives the examples of Samurais of Japan, serfs from Russia etc. However, recent observations do not prove this view. There are several exceptions to the theory given by Hagel.

The elite class in Argentina ,the educated upper and upper middle class in Sweden, the noble class in Russia were observed as highly entrepreneurial. It was noted that even the ‘Samurai’ entrepreneurs class is doubtful .Yamamura [1978] pointed out that many of the so-called Samurai bought their positions so that they could get jobs in bureaucracy or were peasants only later considered to be *Samurai*. [41]
Even in India, Hagel’s theory is hardly experienced. The Jains, the Parsis and the Chitpavans [Brahmin sub-caste from konkan in Maharashtra] were highly entrepreneurial in the beginning of industrial development in the country. Hence, the ‘low-status’ theory does not hold much practicability.

5) Personal Characteristics- Apart from the above aspects of psychological theory of entrepreneurship, it is also believed that personal characteristics of an entrepreneur also influence the entrepreneurial behaviour. As per this view, personal characteristics such as age, education level, temperament etc. must be considered in analyzing an entrepreneurial behaviour.

I] Age- It is generally observed that the young age between 25 to 40 years is more influential to take a decision of becoming an entrepreneur. A decision to start a new venture would be quite easier for the young age-group, as they might not have been settled in their life economically.

Again, there are variations in the range of age of initiating entrepreneurs in different communities. Generally, the western economies show a lower level of age of initiative entrepreneurs say between 25-34 years and the oriental economies have shown comparatively higher level of age [35-44 years] among the first generation entrepreneurs. The reason is obviously in the life style of the respective economies. The western economies have more free and independent social and family life style where children become independent from their parents at an early age and start their own life whereas in the eastern countries like India, due to joint family system and more attached family life style, it seems difficult to start an adventurous business before the middle age.

However, a counter argument in this regard also should be noted that in the middle age, a person is reluctant to change his life style due to many reasons. The accustomed and established life style prevents him
from making any sudden change in it. Also, responsibility of family life in later years of life prevent a person from taking a bold decision of shifting from one profession to the other which could be more uncertain from view point of earning income.

Thus, the criterion of age for studying entrepreneurial behaviour shows a complex nature and it could be summarized that the young age seems to be more in favour to start the venture.

II] Level of Education- Education is considered as another influencing factor on the entrepreneurial behaviour. However, it has been observed that it is not much significant variable and many a times, it may look irrelevant too in correlation with the entrepreneurial behaviour. There is hardly any firm correlation between formal education and success as an entrepreneur. [42]

To support the above view, a reference of a case study of African entrepreneurship by Peter Morris could be made. He stated that ‘some of the ablest and most systematic have never been to school. Their book keeping is often haphazard, their costing speculative yet, there are successful businesses, whose only accounts are random notes jumbled into a drawer along with pencil stubs, old letters and trade calendar and others whose neatly ruled ledgers and certified accounts merely document the coming collapse.’ He further concludes that a person who spends many years in school, college and university and another who sits in his shop and runs his business, both are acquiring some skills. But, the difference is, former knows something about many things whereas the latter knows many things about something, i.e. business. [43]

This example clearly shows the difficulty in putting a correlation between the development of entrepreneurship and level of education.

III] Gender – Studies on entrepreneurial behaviour can be made on the gender ground. World-wide the male-female entrepreneurs ratio has been
It would be surprising to know the fact that there is no gender equality in entrepreneurial activities even in the countries which profess to have achieved all-round equality of the genders, not to talk of the economies where the social status of women in all fields of life is regarded to be low.

This issue of women entrepreneurs with their special characteristics and role is discussed in the same chapter separately.

IV] Rural-Urban Differences - Studies have proved that the rural-urban entrepreneurial ratio has been given as 30:70 all over the world. It is quite clear to understand that the favourable atmosphere of urban life may provide an incentive for willing entrepreneurs to start their ventures than those in the rural areas with no proper encouraging provisions.

V] Temperament - Person’s nature is also one of the psychological factors which influence the entrepreneurial behaviour. Psychologists have classified nature into many categories, such as introvert, extrovert, risk averse and risk lovers etc.

Generally, it has been observed that extrovert, risk-loving, bold and daring people choose entrepreneurial profession as they like to meet different people and do not hesitate in accepting challenges which are an integral part of a business. [44]

Conclusion - However, psychological theories cannot be generalized and many times show exceptions in the observations from the real life.

3.14.3 Social Theories of Entrepreneurship-

Introduction - Sociology of entrepreneurship is based on the assumption that entrepreneurs are influenced by social and cultural factors in which they live and grow up. Such an approach came forward in contrast to the psychological theory which thrusts on personal characteristics as a major influential factor on the behaviour of entrepreneurs. Sociologists have observed that a number of individuals fit into the favourable
psychological profile for entrepreneurship, such as ‘need for ‘ach’, a high
degree of ambition, risk taking propensity, work experience and an
appropriate role model, but, do not choose an entrepreneurial career.
Therefore, they stress on the social environment as a dominant factor
influencing the entrepreneurial behaviour. The study of racial and ethnic
groups, socio-economic conditions are important in studying the roots of
entrepreneurial process and behaviour.

1] Max Weber’s Theory- Among the social theories of entrepreneurship,
Max Weber’s theory of Protestant Ethic no doubt dominates
considerably. Weber belongs to the third wave of the German Historical
School of thought who was an eminent scholar in the fields of economics,
sociology and history. In the two articles written on the Protestant Ethic
and the spirit of Capitalism, he tried to examine society and religious
influences. His theory concentrates around the origin of the business
leaders of the west. He proved with the contemporary statistics and past
historical analysis that business leaders in every European country were
Protestants by faith.[45]

The ‘Calvinist’ influence can not be ignored as it was observed
that the commercial leaders in the beginning of capitalism in the west
were not merely Protestant, but specifically Calvinist.[46] Weber gives
the entire credit of beginning and development of capitalism in the
European countries to the businessmen and traders of the Protestant sect
of Christianity. The sect believes in the worldly success as the evidence
mark of salvation and failure as the sign of damnation. They also believe
in the work as the chief good and hence any diversion was regarded as
worst or worse. Weber’s view became powerful in the early twentieth
century. However, scholars have made many criticism. Criticism-
The main criticism made on Weber’s theory is that capitalistic spirit is not
found only in the Protestant race but also in other racial and ethnic
groups. It could be located in the Catholic cities of the Mediterranean and in Antwerp. It was also argued that Weber neglected economic factors and ignored changes in the society. Though, Weber’s view is one that nicely explains the economic development process of the North Atlantic community, but does little to explain events in other cultures. In fact, thinkers opine that there is nothing in Protestantism which leads automatically to capitalistic development. At the most, the importance of the Protestantism was rather that it reduced the obstacles which the more rigid institutions and ceremonies of Catholicism imposed.

2] **Jew Theory** - Werner Sombart who was leading in criticizing Weber, himself developed the 'Jew theory. Sombart examined Weber’s hypothesis from another angle and stated that the Jews, were the operating force in creating capitalism. Though, he did not know Hebrew, the language of the Jews he studied the medieval history of the community and showed that due to exploitation, the Jews were spread everywhere in the world and thus it helped them to trade internationally as they always had their partners in the other countries. He even concluded boldly that ‘what we call Americanism is nothing else than the Jewish spirit distilled!’ He gave credit to the Jews for inventing a whole armory of capitalism [including securities markets, international stock dealings, modern credit instruments, advertising and modern newspaper]. How could the Jews achieve this all was reasoned by him as they were displaced from their original land, they were widely dispersed, and were treated as strangers, were given only quasi-citizenship and of course were a minority in the migrated country. Therefore, there was no way left for them to prove and settle themselves except to start a business. Also, like Weber, Sombart discovers that there is a strong influence of their own religious teaching on their business spirit. [47]
Thus, Sombart has boldly put a parallel theory in contrast with that of Weber’s. He also proves his view by historical proofs.

**Criticism** - However, the same criticism applies to his theory as for Weber’s theory that there is an overestimation of the importance of Jews. Scholars give completely opposite view that it was not the Jews who created capitalism but the forces of capitalism already started, molded their behaviour in a way to adjust to the capitalist situation. Thus, the Jew theory is in fact the other way round.

However, both Weber and Sombart have contributed greatly to the social approach to the evolution and development of entrepreneurship in the western world. Though, defective, both the theories try to explain it well that the ethnic and racial background of a particular community influences in their decision-making behaviour and is largely responsible for the process of entrepreneurial development and growth.

Anthropologists have studied various cases of caste and religious influence on the business activity. A brief reference from real experiences of racial and ethnic influence on entrepreneurial and occupational behaviour is given below.

**Examples** - The Marwari community, originally from Rajsthan and migrated to Bombay and Bengal in the British period, saved money by living economically and used this capital to create big business houses. The instinct to earn money is inborn in some communities and business is a simple answer to fulfill it. British colonialists used to blame our caste system for everything wrong in India. But, sometimes the weakness proves to be the strength of the economy. The true ‘caste spirit’ helps to build network which is quite essential for the spread of business.

The Palanpuri Jain community have shown their true kinship even at the world market level. They used their caste and family networks in wrestling half the global market for uncut diamonds from the Jew
businessmen. Marwaris migrated to Calcutta during 1830s and involved in the trade of jute, opium and cotton with British traders. The kinship among the community was so much developed that they shared their experiences with each other, helped each other, one of the settled Marwari Nathuram Saraf ran a hostel for the newcomers in Calcutta which gave them a support to establish themselves in the unknown area.

The ‘Zero Club’ concept i.e. starting with nothing was much in vogue among them. All this created a typical business culture among the community, though on a traditional community basis. Gurucharan Das calls it an indigenous version of Harvard B-School in those days. The Marwari ethic of business was quite different than the Jewish, Chinese or Protestant ethic of business spirit. The Chinese [Confucian], Protestant and Marwari ethic of business spirit all together stressed on the middle class values of hard work, education, saving and investment for the future and ability to cooperate towards a common objective. Arthur Lewis an anthropologist studied a ‘Jat’ village near Delhi and found some of the best qualities for the growth of business and entrepreneurship in Indian community kinship. [48]

Prof. Fod MacFarquhar of Harvard B-School recently studied Confucianism [which has given birth to Singaporean entrepreneurs] and has remarked that ‘there is no difference between the entrepreneurial dynamics of certain Indian merchants and the Chinese merchants in southeast Asia.’ He said, ‘I am not sure that a religion which preaches rejection of the world necessarily implies one cannot have entrepreneurial spirit. In fact, Hinduism is essentially about individuals.’ [49]

**Conclusion**- This clearly rejects the blame given by Weber on Hinduism as an obstacle in the growth of entrepreneurship.
3.14.4 Culture and Entrepreneurship -

Cultural and ethnic factors seem to be important determinants of occupational choices. It is observed that Punjabis are mainly settled in the hotel business and in transport related industries, while Udipis, from coastal Karnataka region are mostly seen in the hospitality business. Malyali Christians in banking and nursing, Sikhs in automobile industry, Jains in retail trade and manufacturing, Gujratis in share broking and business etc.

The modern social scientists have recognized the importance of cultural factors in influencing social behaviour as it is acquired in family and society and is not inborn. Obviously, communities with favourable cultural traits blossom in business and entrepreneurial activities. U.S. and Japan are such examples though they have different cultural background, both of these countries have strong factors in their culture required for entrepreneurial growth. Individualism of U.S. people and neutrality of the Japanese have made them ahead of others in the business sector.

However, all individuals in the same region may not always show the same cultural traits. Hence, the label of a particular cultural stereotype to a particular society should be used with caution and care.

Anthropologists have recorded certain communities as pro-enterprise. Quackers and the Jews have contributed considerably to the European industrial growth. They have divided the phases in cultural growth in savage culture, a primitive, animal like cultural behaviour where no signs of economic and materialistic development are seen. Obviously, entrepreneurship in such societies is absent. In such societies, present is more important than future and therefore the scope for materialistic approach is very narrow.

The third and ultimate stage of cultural evolution is one in which true development of mankind is seen. Here, human beings act altogether
different than animals. They think, provide for the future, try to grow and prosper through rational actions. Such a civilization nourishes entrepreneurial spirit and development.

Economies which are still in the first or second phase of cultural evolution are naturally backward in the process of entrepreneurial behaviour. To apply this analysis to Indian society, one can say that till the period of 19th century, India was locked in the second stage of cultural evolution and it was only in the second half of the 18th century she crossed the hard boundary of the second phase and gradually stepped in the third phase with the proud contribution of the pioneering Indian entrepreneurs. [49]

3.14.5 Heuristics Approach- A general synthesis of the theoretical approach towards entrepreneurial evolution and growth can be given in the form of ‘heuristics’ approach, developed by Amos Tversky and Daniel Kahneman in 1970s. It was a ground-breaking work in the behavioural theory according to many sociologists. The approach believes that individuals are more likely to make judgements using non-statistical inferential heuristics or ‘rules of thumb’ than statistical principles or defined strategies in their decision making behaviour. [50]

The factor ‘heuristic’ approach is a new variable which is equally useful in studying entrepreneurial theories and practices which again stresses on the complexity of the nature of decision making about entrepreneurial career.

Conclusion- Thus, it can be concluded that decision process in occupational behaviour is influenced by the psychological, social and cultural factors and no fixed single strategy or principle could be applied to study its origin.
3.14.6 Summary Chart of the Theories of Entrepreneurship - This could be prepared as below.

Table 3.3
Summary Chart of Theories of Entrepreneurship

<table>
<thead>
<tr>
<th>Theory</th>
<th>Author</th>
<th>Main views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Kirzner, Kent, Broshel, Ketzels-Shumpeter-Other Views-</td>
<td>-Entrepreneur creates economic equilibrium. -Entrepreneur creates disequilibrium. -Initial capital, advertising, success etc.</td>
</tr>
<tr>
<td>Psychological</td>
<td>McCelland Rotter-Micro View-[people’s school] Macro View-Displacement theory-Hagel</td>
<td>-‘n’ache’-need for achievement. -Locus-of-control [focus on Personal achievement] -Personal traits-habits, attitude influence -External influence -Low-status people are more entrepreneurial</td>
</tr>
<tr>
<td>Social</td>
<td>Max Weber-Werner Sombart-</td>
<td>-Protestant Ethic -Jew Theory</td>
</tr>
<tr>
<td>Other factors</td>
<td>Personal Characteristics-Heuristic Approach-</td>
<td>-Age, sex, education, temperament, etc. -’rule of thumb,’Non-statistical judgements.</td>
</tr>
</tbody>
</table>
3.15 Can Entrepreneurial Characteristics be Taught?-

**Introduction**- After a wide discussion on the concept and theories of evolution of entrepreneurial behaviour, one may raise the question that - ‘can entrepreneurial characteristics be taught?’ Or is entrepreneurship inborn or inherited?

**3.15.1 The 20:40:40 Theory**-

There is a famous theory in this respect of ’20: 40: 40’ ratio to answer these questions. The theory states that in every society, there are 20% people born with entrepreneurial characteristics within them, who need not be trained and guided for accepting business enterprise as their profession. There are 40% people who clearly do not possess any qualities of becoming an entrepreneur and may work under them successfully. They do not need any training programme for entrepreneurial development.

Hence, the question asked above does not show any relevance to these 60% people in the society. But, at the same time, there are the rest 40% people who possess hidden qualities of entrepreneurial abilities and need some training and guidance systematically so that these budding entrepreneurs would venture out in the business enterprise. The inborn qualities need to be nurtured and guided in a proper way. In the absence of such guidance, these people would not dare to undertake entrepreneurial responsibilities and without their contribution, industrial and economic development would suffer to a great extent. [51]

**Conclusion**- There is no single formula for training and guidance for entrepreneurship. The above mentioned theory could be taken as a guideline for understanding the proportion of entrepreneurial spirit in the society in general and should not be taken in a rigid way as it has been agreed that there is no fixed given proportion of born and would be entrepreneurs in any society in any point of time.
A discussion on the different methods of training and development of entrepreneurship is presented further.

3.15.2 Training of Entrepreneurs-

**Introduction**- By now, it has been agreed that the art of business should be systematically taught to the budding entrepreneurs. The next question then may arise is –‘how this training should be?

A] **Entrepreneurial Quotient**- It could be agreed upon that all those who are willing to be entrepreneur may not have the ability to become one. Entrepreneurial experts put these abilities in the terms of ‘entrepreneurial quotient.’ The procedure of measuring the entrepreneurial quotient is not a test, but rather a method by which an individual can compare his/her own personal characteristics with those of successful entrepreneurs. The method consists a list of questions with multiple choices and ‘yes’ or ‘no’ type which should be honestly answered by the candidate to know his real entrepreneurial ability. After taking this test, a budding entrepreneur may fix his decision whether to go for a venture or not.

B] **Formal Sector Training**- The importance of training for entrepreneurs is recently recognized. There are made several efforts for training in entrepreneurship at the private and semi-private sector. Below is given a discussion on various formal training centers for guidance in entrepreneurship.

I] **Business Schools as the Entrepreneurial Training Centers**-

As per the theory mentioned above, it could be understood that the B-schools should aim at the potential of 40% would-be entrepreneurs for training entrepreneurship. B-schools grew fast first in the U.S. and Europe in 1960s and then all over the world recently. The fresh graduates from universities having academic degrees of various faculties are generally accepted as the candidates for such schools.
**Drawbacks-** Though, B-schools and management courses are becoming popular all over the world, there is no correlation yet found between the number of trained entrepreneurs in these schools and the increase in the business enterprises corresponding to it. This could be taken as a serious drawback of the B-schools in promoting entrepreneurship and also raises a doubt about whether entrepreneurial qualities could be taught or they are inborn in a person. Also, it could be stated from the experience of B-schools that they produce executives and managers who carry routine business management, but cannot produce an ‘entrepreneur’.

1] **Placement Syndrome**- In fact, it is observed that the ‘placement syndrome’ is vast spread among the trainees in B-schools and they are focused to get a job with attractive salaries in the already established big business enterprises rather than starting their own venture. This leads to raise a doubt about the usefulness of such B-schools.

2] **New trends** - The reasons for the failure of B-schools in inspiring the trainees to start their business could be found in the method of training itself. Many American thinkers have clearly mentioned that class-room teaching without real experiences may not be working to develop the entrepreneurial qualities. Hence, it is now being opined that management education should be available only to people who are already managers and entrepreneurs and should be sent by their companies for in-job training.

The ‘hands-off’ approach of schools i.e. impractical approach, would not work much useful. If B-schools are run with this view, no doubt, the economy will show a high level of entrepreneurial growth. [53]

II] **Other Training Centers**- Besides the formal education institutions, some other institutions are working in the field of entrepreneurial training.
The Behavioural Science Center in Delhi carries tests for willing entrepreneurs to measure their level of ‘n-ach’. The state government of Gujrat has made a pioneering effort in the 1970s to develop and train the entrepreneurial skills. Their effort has become popular by the name of ‘Gujrat Pattern’.

In the private sector, ‘Nirma Labs’ associated with Nirma Chemical Industry’ runs an incubation center at Ahmedabad. The programme of Nirma Labs is to bridge the gap between knowledge and opportunity that an entrepreneur may get. Moreover, Nirma Industries has set up Nirma Education and Research Foundation [NERF] in Ahmedabad which is supported by the central government department of science and technology. The center mainly focuses on the newly developed sectors such as IT, telecom, bio-tech, nano-tech and life sciences. The efforts of these centers is not only to provide technical and business knowledge to the candidates but also to support their financial needs. Candidates are expected to return the capital as and when their projects become profitable. The financing activity of the Nirma Labs is no doubt very important as it is a sort of venture capital. The center also implements a scheme of ‘pool company’ in which all the incubated companies funded by the center are attached to each other to share the profits.[54]

III] Training in Maharashtra- Maharashtra state is also not lagging behind in entrepreneurial training. Through MCED [Maharashtra Center for Entrepreneurial Development] it is trying to promote entrepreneurial culture. The center also published a monthly magazine titled, ‘Udyojak’ [entrepreneur]. Entrepreneurship is treated like a vaccine against unemployment and the motto of the monthly magazine is ‘a working ant is better than a sleeping elephant’. The magazine stresses on the economic salvation as the prime goal as is spiritual salvation for the Hindu mind. Apart from training and publications the institute has service
centers and also various projects and programmes are run through its eight regional offices. [55]

Thus, Indian entrepreneurs in future are being moulded and trained to face the challenges of running a new venture in the changing circumstances.

B) Informal Training Centers- This source of training in entrepreneurship should be treated apart from several formal institutions at government and semi government or private sector working for systematic training and guidance for entrepreneurial development, there are made many individual efforts for promoting entrepreneurship. Informal clubs, private centers and individual efforts at micro level are also worth mentioning. Private social clubs, such as ‘Saturday Club’ run by one Mr. Bhide is an unique example. Through group motivation and financial support, more than 1000 budding entrepreneurs have been helped through the meetings of the club. [56]

C) Research Institutions and Entrepreneurial Training-

Invention and innovations are an integral part of an entrepreneur. If he wants to do something different and new he has to depend on inventions and discoveries is science and technology. Hence, a proper coordination between a scientist and an entrepreneur is quite necessary. Pune based National Chemical Laboratory [NCL] has recently launched a scheme with the financial support of the central government in which the scientists themselves are trained and guided to be an entrepreneur. The revolutionary scheme named ‘venture center’ will prove to be fruitful in two ways. A scientist who invents new things need not search for a job and work for others and an innovator or an entrepreneur need not depend on the inventions by others. This is a programme in the country which really shows the depth of willingness of the government to encourage entrepreneurship at different levels. [57]
D] Industry and Entrepreneurship Development-

Apart from these efforts on organizational and private level, what is needed more for real boost in the entrepreneurship in the economy is the true blue entrepreneurship or brotherhood entrepreneurship in which big established firms and their entrepreneurs act as a parent to the small or would-be entrepreneurs by providing them every kind of support. Cooperation and competition should go hand in hand together domestically. Many examples of brotherhood entrepreneurship are observed in the reality by big industrial houses, such as Infosys, Reliance Industries etc. The established and reputed firms do not hesitate in giving a helping hand to the budding entrepreneurs in their struggle to get established. It could be commented that this kind of assistance ranks first among all possible sources of business development. [58]

3.15.3 Women Entrepreneurship-

Historical Survey of Women Entrepreneurship- Historically, women entrepreneurship was rare due to social factors. Obviously, it was difficult to find a case or two of female entrepreneurs in the period of British rule. Common absence of female entrepreneurs in the pre-Independence period was mainly due to absence of formal education in women, low status of women in the society etc.

The recent spread of women entrepreneurs through a proper guidance and training can well be linked with the disadvantage theory of entrepreneurship which states that the suppressed and fragile class in the society, if given an opportunity reaches to the high achievement levels to prove themselves. A free economy needs a balance in the development of entrepreneurship on the basis of gender. It is a pity to observe less proportion of women entrepreneurs even in so called free countries.

In contrast to the real scene of women entrepreneurs, psychologists are of the opinion that women have many positive points
which are favourable to entrepreneurial activities. Women have skills and patience if given a chance; they can show their presence on the entrepreneurial scene of the economy. It is observed that women have better communication abilities than their male partners and they can effectively read emotions of the people with whom they come in contact. Psychologically they are stronger than men and thus can face challenges and risks associated with the business activity. They have a great thinking power which is known as ‘web-thinking’, a capacity to gather data from multiple sources and can act on it simultaneously. This ability of women may work wonders in planning the future of a business. Last but not the least important merit women possess, is they are good bargainers and negotiators. [59]

Historically, women in the country have shown initiative in starting and supporting business ventures quite surprisingly. Queens who ruled in the pre-British or British period in the country have always recognized the importance of business enterprise and have encouraged commercial activities by supporting them financially and administratively. A couple of such examples can be stated of Ahalyabai Holkar, a Maratha queen ruling in the central India during 18th century who encouraged the weavers in her state to start handloom saree production with specialization. The product, known as ‘Mahashwari sarees’ was quite popular in those times among Maharashtrian women. Also, queen Lakshmibai of Jhasi who witnessed and fought the great mutiny of 1857 against the British was reported to encourage various industries in her state through royal support. [60]

Among the women entrepreneurs, the name of Seetabai Sathe who initiated the biscuit production domestically after the death of her husband to raise her children, is quite inspiring. Eventually, her son took over and ‘Sathe Biscuits’ factory became the first indigenous enterprise
producing ready food products such as cream biscuits, chocolates and drinking chocolates.[61] A detailed discussion on the process of evolution of Indian entrepreneurs including this one has been presented in Chapter IV of the study.

The deliberate efforts are made to train and promote the class of female entrepreneurs. The reputed business management institution such as IIM [Banglore] has started a special training programme for women entrepreneurs. Traditionally, women entrepreneurs are much more seen in the fields of catering and food products, garment designing and beauty technicians. However, the observations of the institution show that with the advancement in their social and intellectual set up, they are taking up new ventures in different fields recently such as electronic and manufacturing industry.[62] Really, it is a good sign of entrepreneurial development among the businesswomen of the country.

3.16 Entrepreneurship in Less Developed Countries -

A] Introduction- As discussed earlier in this Chapter, in the less developed countries like India, the role of an entrepreneur is not the same as that of an entrepreneur in a developed country. A major function an entrepreneur in the less developed country has to perform is to overcome the bureaucratic and other administrative obstacles imposed by the governments of such countries, such as permit, license, quotas and other controls. Moreover, in the less developed countries, the dichotomy between an entrepreneur and a manager is hardly present. An entrepreneur in such economies may not work independently but may be a manager or an executive or an owner capitalist himself.

These and many other features of entrepreneurship in the LDCs makes it a separate study. By nature, the entrepreneurs in the LDCs are assumed to work less efficiently and discontinuously. This weakness of the nature of business enterprise in the less developed countries leads
them to fulfill the gap-filling role and carry with the ‘routine entrepreneurship’.

Harvey Leibensten has put the ‘Critical Minimum Effort’ theory which explains the process to bring about sustained development in the LDCs wherein an entrepreneur is also included in this process. In a society, where family links and kinship affiliations play an important role in founding and expanding a business and where there is dearth of technological know-how, entrepreneurship is expected to develop a network of ‘information – brokers’ and expert advisor. [63]

According to Paul Davidson, when nature is bountiful, the members of any non-entrepreneurial system can thrive and when the environment turns bleak, population decreases, as explained by the Malthusian concept knife-edge. He suggests further that the only way out of this crisis is through entrepreneurial activities. Moreover, one should also look at the ‘paradox’ which prevails in the less developed economies. These societies face a severe problem of poverty and starvation and at the same time possess huge idle resources and technology that could alleviate poverty and related problems, if only these resources were fully and voluntarily employed. Hence, development and growth of entrepreneurship in the less developed countries can play a vital role in breaking the vicious circle of poverty and lead to the path of economic development. The role for the ‘angel’ investor [who invests for others’ innovative ideas selflessly] seems to be highly necessary in these countries. [64]

B] Entrepreneurship in India- Though, the journey of entrepreneurs through a long period from the British rule to almost six decades after the Independence is not very smooth and covers many obstacles and up-downs, Indian entrepreneurs have achieved really a high level throughout the period. They have not only achieved industrial and material growth
for their country but also have safeguarded their nation against international shocks. In the 1990s, the whole world was going through a tough time as the socialist countries were falling especially the USSR broke down and collapsed literally. Not only the nations ruled by socialist regime faced a shock, but even the capitalist economies also received a severe blow as their international trade and other related issues got suffered considerably. India was a mixed economy then and was dependent on the USSR for its international affairs. With the fall of USSR, no doubt India suffered a great loss, but did not collapse completely. Even before the economy opened up in 1991, with the NEW Economic Policy, according to thinkers, it was the creed of small and medium entrepreneurs in the country that saved the nation from the fall.[65]

Not only Indian thinkers but also internationally renowned entrepreneurs like Bill Gates, founder of the world’s number one software company, ‘Microsoft’ himself has recognized the ability and contribution of Indian entrepreneurs especially in the software sector, who have helped build his company. [66]

3.16.1 Historical Survey of Indian Entrepreneurship-

Historically, it has been experienced that in Indian products have made their way to other countries since time immemorial. Indian muslin cloth for instance was used by the ‘Pharohs’ of Egypt even 2000 years ago. In 1750, as is mentioned in economic history, India was as urbanized as West Europe and as industrialized as Japan and most of eastern Europe.

However, when the entire Europe was undergoing through an Industrial Revolution, after 1750, India could not participate in it due to the foreign rule and other social factors. It was only by 1850s, with the expansion of the railways and other internal transport and communication
development, that manufacturing enterprises on a modern style extended in the country. [67] Chapter II discusses the major economic events that took place in the 19th century which helped to lead to rise of modern industries.

Ancient Indian philosophy believes in other worldly matters, economic power was never a significant part of the Indian consciousness. Max Weber opined about Indian society that ‘a passive and permissive role for Hindu beliefs in the country’s industrial development as opposed to the positive dynamic role of the Protestant ethic in the development of European industrial capitalism.’ According to Weber, the rich traditions of Indian Hindu dominated culture, did not rank very high in entrepreneurial spirit. [68]

**Culture in Other Countries**

As is discussed earlier, every society has its own style and culture. For example, British people are known as disciplined, reserved and materialistic with regard to high values of life, French are more free, leisure-lovers and artistic in nature with more focus on enjoyment of life, while Japanese are considered as hard-working, regard high their family life and commitment to their work and organization. Similarly, Indians are known for their scholarly reputation in the ancient period with great educational history. However, Indians lack practical knowledge and are just great thinkers and writers with very little skills in practical skills. Amartya Sen labels the people as ‘argumentative Indians’. [69]

Marx stresses on the ‘free creativity as the essence of mankind’, India had almost lost its essence, many social and cultural things were forced on her and there was no ‘rising’ among the people as it happened in Europe in the Renaissance era. It is commented by thinkers that the Protestant movement which changed the European society was much more hard to practice in Indian society, in fact, it is also mentioned that
the movement of Protestantism was much harder to get its roots in Indian society, than in Europe. Even today, the ‘new wave of thinking’ is not much spread in the society and is limited to only urban educated class. [70]

The British government practiced the policy of discrimination and duplicity against Indian entrepreneurs which often led against the rise and growth of modern industries. This point has been discussed widely in Chapter V of the present study.

In spite of all the hurdles accounted on the social and political ground, many entrepreneurs shined in the adverse period of British rule and contributed to a great extent to country’s economic development. This clearly proves that the qualities of entrepreneurship were present in Indian people.

3.16.2 A Socio-Cultural Survey of Indian Entrepreneurship -

**Introduction**- Traditionally, the *Vaishyas* - the third in the hierarchy of caste system, were assumed to carry trade and commerce activities for living and all other castes were dependent on them for their daily consumer goods. The *Vaishyas* or *Bania* were not a homogenous community and were known differently in different regions. Though, mainly engaged in trade and commerce activities, they also performed manufacturing small items as per the needs of the society.

Thus, trader, craftsman and business activities were mainly concentrated in the specific communities. The ‘Anthropological Survey of India’ has given an extensive list of ethnic and anthropologically specialized trader communities. The list given in the survey could be summarized as follows- [71]

**A] Major Entrepreneurial Communities in India**-

1] Bhatias, the community migrated from Sindh [now in Pakistan] at the time of partition of the country in 1947, who were traditionally traders.
2] Bohras, a Muslim minority of Shiate sect traditionally specialized as a business community, especially in the western Maharashtra and in Bombay this community has contributed greatly in the field of trade and business development.

3] Butts, are from coastal Karnataka and their main occupation beign ‘Udipi’ style restaurants spread amazingly in almost all parts of the country and now abroad also are so well known for their business spirit. The never dying business spirit and a well-knit kinship among the community has shown a wonderful entrepreneurial growth.

4] Khandelwals, a community migrated from Rajsthan [Jaipur] who are traditionally businessmen. 5] Khojas, a muslim minority community basically traders and small scale industrialists merchants. They dominated in the trade of food items, especially bakery products, spices, cosmetics, soaps, incense sticks etc.

It has been observed that the entrepreneurial quotient among the minority tribes of Muslim community like Boharas and Khojas has been comparatively higher than that of the other communities in Hindu religion. Experts are of the view that due to lack of formal education, strong kinship ties and conservatism in lifestyle, these communities might be choosing independent enterprises for their living. Unfortunately, unlike the popularly known entrepreneurial communities like Parsis and Marwaris, very few studies have been done on the entrepreneurship of these communities.

6] Khatris, migrated from Mandavgad in Madhya Pradesh, were traditionally weavers and were famous for their skill of weaving designs on sarees.

7] Koshtis were also traditionally cloth weavers and dominated in the Pre-British period in villages in western India. However, their traditional occupation was destroyed by the imported machine-made cheaply
available textiles. In fact, this community suffered the most negative impact of de-industrialization.

8] Kotwal, an artist, craftsmen community specialized in weaving baskets and winnowing fans.

9] Jains or popularly known as Marwaris are another entrepreneurial tribe in the country which contributed to India’s industrial and commercial development in the British period and surprisingly has remained one of the most entrepreneurial communities in the country even after Independence.

Jains in India are originally a sect of Hindu religion [recently they have been recognized as a separate religion] originated in the ancient period, became a trading sect for purely ritualistic reasons. The sect strictly believes in non-violence and only in trading one could practice ‘ahimsa’ – the absolute prohibition of the killing of living things, so they might have taken over trading and gradually moved to manufacturing thus formed an example of the general observation of social scientists that it is the trading community in the country which easily shifts to manufacturing in any economy.

Walchand Hirachand was one among the Jain businessmen who turned into big business houses. Chapter IV discusses the case of entrepreneurship of Walchand Hirachand.

B] Entrepreneurial Communities in India in the Past-

An interesting feature of the entrepreneurial communities in India is seen that there were some communities which showed their extraordinary business talents in the past but failed to keep the business career continuously and gradually disappeared from the business scene of the country. There could be a variety of reasons for their discontinuous business behaviour. Following are the main communities which showed their business talents in the past.
1] In the 17th, 18th and 19th century, India’s trade with other countries was concentrated in the hands of a few communities. One of such communities was ‘Armenians’. The origin of these communities is very mysterious.

The historical evidences show that they lost their political position as a nation in the days of the Safavi rules of Persia [16th century]. In 1604, Shah Abbas of Persia forcibly transplanted about 40,000 Armenians from Armenia to Persia. They settled there but a considerable number became scattered throughout the world like the Jews. As a commercial community they played quite an important part in the inter-Asian trade.

However, their influence and dominance did not last long as they had no adaptability and mental receptiveness of the wandering Jews. They were mainly settled in Bengal province and eventually when British conquered Bengal they gave up. They also had some role in Bombay’s trade in the 18th century. The community shined like a comet in the sky and disappeared from the scene of trade and commerce with changing times.

2] The Iranis, migrated from Iran [Persia,] 500 years ago to Peshawar [now in Pakistan] again moved to the western India in the early 20th century. They were specialized in the restaurants business in their own style.’Irani’ restaurants were very popular among the middle class people and youngsters till Independence and period little later.

They have now almost disappeared from their popular business as many of them migrated to Iran, their home country and also because they lost their importance due to changing social and cultural habits of the people. Their exit from country’s entrepreneurial scene clearly shows that entrepreneurial skills cannot be inherited but are time bound and external factors do influence the spirit of business enterprise.
The Jews or Bene Israel as they are known migrated to India in the ancient period during the religious clash between the Jews and the Christians and Muslims in the middle Asia during first few centuries. They have settled in the western coastal region of Maharashtra i.e. Konkan. The Jews are basically artists and craftsmen and were famous for their social work. They controlled a major share of India’s foreign trade during 18th and 19th century.

David Sassoon was a wealthy trader who earned a huge profit in the cotton, gold, silver and opium trade with Europe in the 19th century. He donated his money for constructing a charity hospital for the poor in Pune in the early 20th century. The Sassoon Hospital named after him is still functioning and serving the needy poor from rural areas.

India’s industrial development owes greatly to the Parsi community as the real beginning of modern textile industry was successfully achieved by the community. Also, the steel industry got its roots only by the untiring and strategic efforts of Jamshedji Tata in the first decade of the 20th century.

Parsis, migrated to east Asia in the 14th century due to religious clashes with the Muslims in West Asia. They settled at the west coast of India in Gujrat [Navasari]. They mixed up in the mainstream of Indian society except for marriages and became land cultivators. They had no basic roots within the country which helped them to shift from their original occupation of farming to new occupations like trading and manufacturing. With the growing power of the British rule, they shifted to Bombay and became businessmen and also acted as a middlemen for the British and European traders by helping them as an interpreter.

Parsis got the right opportunity in 1850s with the development of railways to initiate modern factory system in the country with a pioneering attempt in 1854 in Bombay. Mr. Davar is credited duly for
pioneering the foundation of industrial development in the country who set up a textile mill in Bombay. Though, there are references of unsuccessful attempts to start a factory by many others, the Parsis made the way right through. Once started, they never looked back and achieved a great success in the entrepreneurial sector. Their braveness, modern outlook and fluency in English could be regarded as some of the factors which might have helped them in making a pioneering contribution for their success in the industrial field. [72]

Between 1850s and 1947, Parsis established India’s first steel mill, stock exchange, political party, university, public hospital, newspaper, printing press, film studio, private electric plant, airline, modern dance company, movie theatre, construction company, bank, insurance company and above all the feminist movement. They also dominated professions such as law, medicine and accounting and across trading in the 19th century.

Parsis, a microscopic population even now [0.1% of India’s population as per the 2001 census] have achieved a success in contrast to their size and number. The community has motivated many sociologists and historians worth analyzing their contradictory behaviour and performance. One of such experts opines that most Parsis feel something mysterious happened when the British left India in 1947. It is this feeling that sapped the confidence of the community, casting a shadow over the entrepreneurial dreams. [74]

It can be concluded that as India opens up to the world, especially to the western world, there is a possibility to exist the similar situations in the country as in the Pre-Independence period, and Parsis could once again place themselves at the forefront of economic and social development. [75]
### Summary Chart of the Major Entrepreneurial Communities in India

<table>
<thead>
<tr>
<th>Community</th>
<th>Original Region</th>
<th>Specialization</th>
<th>Main Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhatia</td>
<td>Sindh</td>
<td>Traders</td>
<td>Migrated and settled in business in Western India</td>
</tr>
<tr>
<td>Bohra [Muslim Minority]</td>
<td>Gujrat</td>
<td>Small and medium business and trading</td>
<td>Highly entrepreneurial, settled in Bombay</td>
</tr>
<tr>
<td>Butts</td>
<td>Coastal Karnataka</td>
<td>‘Udipi’ style restaurants</td>
<td>Concentrated in Bombay and Western Maharashtra</td>
</tr>
<tr>
<td>Khandelwalis</td>
<td>Rajasthan</td>
<td>Small business</td>
<td>Migrated successful businessmen</td>
</tr>
<tr>
<td>Khojas [Muslim minority]</td>
<td>Gujrat</td>
<td>Bakery, spices, cosmetics, incense</td>
<td>High entrepreneurial quotient</td>
</tr>
<tr>
<td>Khatri</td>
<td>Mandavgad [M.P.]</td>
<td>Traditionally weavers</td>
<td>Expert in making designs on sarees</td>
</tr>
<tr>
<td>Koshtis</td>
<td>W. Maharashtra</td>
<td>Weavers</td>
<td>Prey of de-industrialization</td>
</tr>
<tr>
<td>Kotwals</td>
<td>W. Maharashtra</td>
<td>Artist craftsmen</td>
<td>Weaving baskets and winnowing fans</td>
</tr>
<tr>
<td>Armenians</td>
<td>Persia</td>
<td>Inter-Asian Trade</td>
<td>Settled in Bengal and Bombay, discontinued after 18th century</td>
</tr>
<tr>
<td>Iranis</td>
<td>Iran</td>
<td>Restaurants</td>
<td>Popular among middle class Maharashtrians</td>
</tr>
<tr>
<td>Jews [Bene Israel]</td>
<td>W. Asia</td>
<td>Asian and European trade</td>
<td>Famous for social work</td>
</tr>
<tr>
<td>Parsis</td>
<td>Persia [Gujrat]</td>
<td>Pioneered textile, steel and other industries</td>
<td>True entrepreneurs, discontinued after Independence</td>
</tr>
<tr>
<td>Jains[Marwaris]</td>
<td>Rajshtan</td>
<td>Traders, bankers turned into big businessmen</td>
<td>Adoptable, diversity, kinship business strategy</td>
</tr>
<tr>
<td>Chitpavan Brahmin</td>
<td>Konkan [W.Maharashtra]</td>
<td>Middle class, turned as businessmen</td>
<td>Contributed in pre-Independence industrial development</td>
</tr>
</tbody>
</table>
3.16.3 Maharashtrian Entrepreneurship

On the backdrop of various entrepreneurial communities, a contrast picture of native Hindu Maharashtrians can be drawn. The above listed communities in the western Maharashtra were basically from different parts of the country or even were originally from other countries which migrated to the area for many reasons and eventually contributed greatly to India’s industrial development. However, it is criticized by many and also is observed in general that the native Maharashtrians are quite averse to starting a business enterprise for their living. They are keen to seek a safe and highly paid permanent jobs and are least willing to start a new venture and create jobs for others.

This is a favourite topic of debate by the sociologists. They have found various explanations for this weakness of the Maharashtrian community. Lack of boldness, lack of co-operation among the fellow people, a rigid ways of life, immobility, lack of systematic thinking, lack of urge to own a business, lack of inspiration to leave the beaten tracks of life and choose a new path etc. are the reasons among many other economic political factors which are responsible for a poor performance by the community.

This kind of inquiry is not of recent origin. Justice M. G. Ranade, a great nationalist liberal leader, a social reformer and founder of Indian Economics has also stated the causes of low entrepreneurship in the Maharastrian community in the pre-Independence era. [76] He like many other nationalist leaders, blamed the British government responsible for the weakness of the community. But, he was quite balanced in his thinking and did not neglect the shortcomings of the native people in taking initiative in business enterprise. From his writings it becomes clear that in spite of bounty of nature, the lack of entrepreneurial spirit was the main reason for India’s backwardness and the foreign rule. [77]
The indifference of Maharashtrians in business field can be well painted in contrast with the high ability of the Gujrati community in the business enterprise. The comparison was discussed even before Justice Ranade and other great thinkers could write about it. [78]

3.16.4 Bottlenecks in Indian Entrepreneurship-

In the Pre-Independence era, not only Maharashtrian entrepreneurial performance was low, but on the whole enterprise activities were scarcely existed. The reasons for this weakness are multi-fold. They range from socio-cultural aspects to political –administrative character of the country in those periods.

Hindu society was conceived as ‘homo hierarchius’ where caste groups were rigidly separated from each other on functional basis- this leaves little scope for mobility between one occupation and another. Hence, even after the craftsmen lost their occupation due to the influx of imported British goods, they hardly considered to shift to manufacturing or trading occupations. Neither they had sufficient capital for initiating business. Brahmins, who dominated the intellectual field in the country, gradually diverted to English education and administrative services in the British government. The kshatriyas, the second ranking class in the social hierarchy, mainly busy cultivating lands and trade and business was considered as low status among them. Muslims had no middle class which creates capital through their savings. The Nawabs and zamindars spent their incomes extravagantly and had little capital to invest in business. Even, Maratha rules in the 17th and 18th centuries [for instance Peshwas of Pune] did not think supporting and encouraging business activities among their subjects but remained engaged in the religious celebrations. Also, frequent wars within different kingdoms [for instance Peshwas and Nizam] could not offer them leisure time to take initiative in building an industrial base in their kingdom. [79] [Exceptions to this
general tendency of the royal people are Shahu Maharaj of Kolhapur State and Bhavanrao Pant Pratinidhi of a small state of Aundh in South Satara in Western Maharashtra to name a few] This is discussed in details in Chapter Five.

Though, the issue does not come under the purview of the study, if considered the post-Independence era, the political atmosphere in the economy was not favourable for the growth of private entrepreneurship which discouraged even the willing entrepreneurs to divert from the business venture. Apathy of the government towards building a strong industrial base was one of the many reasons for low entrepreneurial development. Several government policies such as heavy railway freight rates, heavy taxation, license and controls on imports etc. discouraged even the established entrepreneurs like Kirloskars.

It is pointed out that though the common term ‘Oriental Culture’ of entrepreneurship is used for the Indian and Far East countries, the difference between both could be shown as that the enterprises in the Far East countries depend upon the public support in the initial stage and then switch over to self-help. While in India, the public support system does not seem to provide any service unless the units are strong and organized enough to extract such services from them. Thus, it seems to be a vicious circle in which the needy entrepreneurs do not get help unless they are strong to stand on their own. Hence, a change in the attitude of the service providers is necessary in the country. [80]

Moreover, lack of favourable economic and financial atmosphere was another obstacle on the path of industrial development. With a few number of modern banks and other institutions such as insurance and transport facilities at a cheap and convenient style, it was not just to expect a good entrepreneurial progress in the country.
Complete absence of ‘work-culture’ was another responsible factor for not achieving a considerable success in the industrial development. Many times, administrative and financial indiscipline has caused the failure of a running business enterprise. One of the reasons for the indiscipline in the business venture was due to joint family enterprise which is a typical characteristic of Indian business even at present. In other industrial countries, business enterprises are owned and managed professionally while in India it is a family run affair. Family-run businesses have their own strengths and weaknesses. One of the main features of a family business is it is passed on from one generation to the other without considering the entrepreneurial quotient of the successor. This can lead to failure of the established business due to inefficiency of the new owner. Smooth succession is hardly observed and sibling rivalry is another serious problem faced by the family owned businesses. It is rarely possible that the second and third generation of a successful entrepreneur could carry on the business with equal efficiency.

Views widely differ whether the joint family business system is disintegrating or not and whether an extended family is conducive for industrial development. Many leading companies in the world are still governed by the families successfully, for instance, ‘Wall Mart’- the largest chain mall organization in the world is a family business. Hence, it would be wrong to conclude that family business system was a bottleneck for entrepreneurial growth in the country. If run professionally and efficiently, it hardly matters whether a business is a family business or professionally managed one. [81]

Finally, it can be stated that the factors which acted as bottlenecks in the process of evolution and progress of Indian entrepreneurship in the pre-Independence period are more or less present everywhere in the
world. The urge to run an independent venture should be above all the obstacles put in the way of running a business.

3.16.5 Future of Indian Entrepreneurship

Indian entrepreneurs have come a long way through many ups and downs. But, the journey through obstacles has not made them tired. In fact, they are shining and blossoming in a new spirit of New Economic Policy adopted in 1991. With the opening up to the world, India has immense scope for its creative talent in business sector. Though, it has been observed that the LPG policy has been proved to be more beneficial to the service sector, especially to the software and computer programming, Indian business does not seem to be at loss. There are a large number of opportunities waiting for the Indian entrepreneurs to show their talent and skills on the international level. If properly moulded and modified Indian business sector would achieve what it could not in the past.

Business sector is undergoing a sea change at present times. Now, a person can convert his hobbies into a business and become a hobbyist entrepreneur, or may become social entrepreneur who need not do a business enterprise for profit but for a cause. The budding entrepreneurs may work as a social worker through charity trusts, NGOs, etc.[82]

According to business experts and social scientists, today’s young generation could be referred as ‘Gen-E’ instead of ‘Gen-X’ because they are becoming the most enterprising generation since the Industrial Revolution in Europe in the 18th century. The growing entrepreneurial traits are almost irrespective of the caste, religion and cultural factors influencing them. The popularity of starting a new venture on one’s own is growing in such a rapid pace that the entire process has been named as ‘banianization of Indian society.’[83]
Conclusion- In short, the future of Indian entrepreneurship looks bright and promising. What looked unattractive once upon a time is now regarded as a hot favorite by the society. The stigma attached to the business enterprise is almost vanished and there is no fear or hatred for taking up a business venture as a career among the present generation. India is rapidly moving towards a free entrepreneurial society. In fact, it has already shown its true potential and has become a role model for economic development in the less developed countries.

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