

Chapter 1

Introduction

1.1 Background

The term 'entrepreneur' is used to refer to the founder of a new business, or a person who started a new business where there was none before. It is the individual who carries out entrepreneurial initiatives that lead to the formation of a new firm. The entrepreneur is someone who specializes in taking responsibility for and making crucial decisions about the product, the nature of the organization, its location, the need for capital and other resources. An entrepreneur is someone who can identify a need in the market, provide a product or service to meet that need and in that process earn a profit.

The word 'entrepreneur' appeared in the French language long before the emergence of the concept of entrepreneurial function. Richard Cantillon identified entrepreneurs' unique risk-bearing function in the early 18th century. John Stuart Mill popularized the term 'entrepreneur' in his 1884 book, *Principles of Political Economy*. Definitions from the world of economics differ from those in the world of management. There are differences between entrepreneurs and managers [1]: 'entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled. Entrepreneurs identify opportunity, assemble required resources, implement a practical action plan, and harvest the reward in a timely, flexible way.'

The foundations for today's dominant positions concerning entrepreneurs have been laid down by Cantillon, Turgot, Say and Schumpeter and many others [2].

Richard Cantillon introduced the term entrepreneur, meaning someone who specialized in organizing business activities and assuming the risks of business in return for profits.

Turgot and Say differentiated the capitalist from the entrepreneur. According to them, a 'Capitalist' was one who assumed the risk or uncertainty whereas an 'entrepreneur' obtained and organized production factors to create value.

Joseph Schumpeter redefined the term to mean someone who used innovation to destroy the existing economic order by introducing new products and services, by creating new forms of organization, and exploiting new raw materials. The entrepreneur performed the function of innovation that enabled the liberal system to persist by going beyond its contradiction.

Bareto: Entrepreneurs were individuals who undertook one of the four activities viz. coordination, arbitrage, innovation or uncertainty bearing.

Krizner: Entrepreneurs arbitrated imperfect information.

Knight: Entrepreneurs made decisions under conditions of uncertainty.

Hawley: Entrepreneurs are the owners of the output of their organizations.

Fredrick Harbinson: Entrepreneurs were 'organization builders'. An entrepreneur was one who had the skill to build an organization and who was also able to harness the new ideas of other innovators.

Bygrave provided a simple but profound definition of an entrepreneur as someone who perceived an opportunity and created an organization to pursue it.

Stevenson and Gumpert believed that the entrepreneur might occupy one extreme end of a continuum of managerial behavior - at one end was the entrepreneur and the other end, the administrator.

Kao suggested that the entrepreneur could be defined in terms of tasks: to see an opportunity; marshal human and other resources necessary to pursue it; and transform the opportunity into a tangible result. According to Kao an entrepreneur's job description included creative, operational or managerial, interpersonal and leadership tasks.

This chaotic state of affairs was accurately but light-heartedly summed up by Kilby, who referred to the entrepreneur as a large and very important animal called “Heffalump” hunted by many individuals, all of whom were unable to capture him. All claimed to have seen him and variously described him, but wide disagreements existed among them on his peculiarities [3].

Table 1.1 outlines the behavioral classification of entrepreneurship definitions used by different researchers. The common thread of all these definitions is the idea that some sort of enterprise is being created [4].

Table 1.1: Behavioural Classification of Entrepreneurship Definitions

| Behaviour/ Activity | Researchers |
|---|---|
| Person who assumes the risk associated with uncertainty | Cantillon, Thunen, Mangoldt, Mill, Hawley, Knight, Mises, Cole, Shackle |
| Supplier of financial capital | Smith, Turgot, Ricardo, Bohm-Bawerk, Edgeworth, Pigou, Mises |
| Innovator | Baudeau, Bentham, Thunen, Schmoller, Weber, Schumpeter |
| Decision-maker | Cantillon, Menger, Marshall, Wieser, Walker, Keynes, Mises, Shackle, Cole, Kirzner, Schultz |
| Industrial leader | Say, Walker, Marshall, Wieser, Sombart, Weber, Schumpeter |
| Manager | Say, Mill, Marshall, Menger |
| Organizer or coordinator of economic resources | Wieser, Schmoller, Sombart, Weber, Clark, Schumpeter |
| Proprietor of an enterprise | Wieser, Pigou |
| Employer of factors of production | Walker, Keynes, Wieser |
| Contractor | Bentham |
| Arbitrageur | Cantillon, Kirzner |

Source: Stephen W. Osborne, Thomas W. Falcone & Prashanth B. Nagendra (2000). From Unemployed to Entrepreneur: A Case Study in Intervention. *Journal of Developmental Entrepreneurship*, 5 (2): 119.

The key roles of an entrepreneur are assumer of risk, supplier of financial capital, innovator, decision-maker, industrial leader, manager, organizer or coordinator of economic resources, proprietor of an enterprise, employer of factors of production, contractor, arbitrageur and resource allocator.

Defining entrepreneurs using attributes like risk-taking, proactiveness, innovativeness and ability to identify opportunities, etc., could be dangerous, because these variables can also be found in other fields like sports, art, science, etc. Care should be taken that only those attributes that are exclusive to entrepreneurs are used in defining them.

The subject of entrepreneurship has been under discussion for more than two centuries, but the concept remains vague. The problem of defining the word entrepreneur and establishing the field of entrepreneurship has not yet been satisfactorily solved [5]. There is no single agreed definition of what entrepreneurship is or what an entrepreneur does. This situation arose, because the definitions were developed by academicians of the developed nations at a time when the problems of the third world did not receive much attention. The theoreticians took a restricted view of entrepreneurial functions, which has changed over time [6]. Moreover, the phenomenon can be investigated from the viewpoint of different disciplines, like economics, sociology, finance, history, psychology and anthropology, each of which uses its own concepts and terms of reference. The problem with the various definitions of entrepreneurship is that each has captured a single aspect of entrepreneurship such as creation or establishment of a firm, management of change, innovation, technological and environmental turbulence, new product development, small business management, individualism and industry evolution. Clearly, there are many dimensions to entrepreneurship. It has been conceived as personality characteristics, innovative activities and managerial abilities. As a result of its multi-dimensional character, references to farm entrepreneur, scientist entrepreneur, business entrepreneur, manufacturing entrepreneur, industrial entrepreneur, etc., are frequent in the entrepreneurship literature. Some relevant definitions are presented below.

The first major work on entrepreneurship came from Joseph A Schumpeter (1911), in the “Theory of Economic Development”. He considered entrepreneurs as critical elements who play a vital role in the economic development. Schumpeter defined “entrepreneurship as a creative activity which an entrepreneur performs in the role of an innovator” [7].

The term entrepreneurship encompasses a wide range of activities such as creating, founding, adapting and managing a venture. Entrepreneurship is the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, finding site, hiring labour, arranging the supply of raw materials, introducing new products or commodities. It is the character, practice and skill of an entrepreneur that combine innovativeness, readiness to take risk, sensing of opportunities, heightened initiative, perceiving and mobilizing potential resources, concern for standards of excellence, persistence in achieving the goal, positive orientation to problem solving and constant striving for growth and excellence. When all these attributes are developed in one person, the person becomes an entrepreneur. Such entrepreneurs can be found in any field like business, education, public or professional bodies [8].

The four basic features of entrepreneurship include propensity to take risk, strong need for achievement, economic insight and management skill [9].

Low and MacMillan define entrepreneurship as the ‘creation of new enterprises’.

In a Harvard Business School colloquium participants agreed on the following definition: “Entrepreneurship is the attempt to create value by an individual or individuals through

- (a) the recognition of significant (generally innovative) business opportunity,
- (b) the drive to manage risk-taking appropriate to that project, and

(c) the exercise of communication and management skills necessary to mobilize rapidly the human, material, and financial resources that will bring the project to fruition” [10].

Entrepreneurship is the process of identifying, valuing and capturing opportunity. This typically occurs under the conditions of uncertainty and tight resource constraints driven by individual initiative [6]. It involves the pursuit of opportunity beyond the resources one actually controls [11]. Entrepreneurship is created by individuals who initiate, establish, maintain and expand new enterprises.

Entrepreneurship, contributes to development in various ways, viz., procuring scarce resources, employing those for production, innovating or imitating production processes or new production technology and expanding the horizons of market. An entrepreneur is a catalyst for development; with him we prosper and without him we are poor [12].

Entrepreneurs are recognized as a major determinant of economic growth with no less emphasis by academicians, anthropologists, political scientists, economists, sociologists, psychologists, historians and the government.

Entrepreneurship through the development of small and medium-size enterprises (SMEs) continues to be the forefront of economic development. Entrepreneurs provide stability and serve as an engine for economic growth. The industrial development of a country depends significantly on the presence of an adequate number and quality of entrepreneurs.

Entrepreneurs also help in creating innovative enterprises, which provide the foundation for building a nation’s competitiveness. Entrepreneurship offers a solution to the growing employment problems, and facilitates balanced regional development and uniform distribution of wealth. It can be conceived as an individual’s free choice of activity or a social group’s occupation or profession [13]. In the next ten years around 130 million

people in India will be looking for their first jobs. It is the entrepreneurs who can create these new jobs and opportunities [14].

Variety of entrepreneurial factors have been researched in the past, Table 1.2 provides a list of some of the prominent research studies carried out in this area.

Table 1.2: Research Studies Focusing on Entrepreneurial Behaviour

| Entrepreneurial Factors | Researcher/ Studies |
|--|--------------------------------------|
| Risk-taking | Cantillon (18 th century) |
| Innovation | Schumpeter (1911) |
| Economic functions and individual traits | Stevenson and Sahlman (1987) |
| Social outcome | Kent (1990) |
| Opportunity seeking | Gibb (1987,1993) |
| Human creative act building of an enterprise | Timmons (1994) |
| Creation of new ventures | (Kourilsky 1995) |

Self-employment Vs. Entrepreneurship:

Self-employment and entrepreneurship are not one and the same. Self-employment refers to individuals working for themselves. The term self-employment refers to people who provide employment for themselves as business owners rather than seeking a paid job. They are the people usually involved in unincorporated business. They draw no salary but use the profits of enterprise to cover personal expenses. Owner-managers gain a share of profits as well as a salary from the business. In countries like France, Netherlands and the United Kingdom only the first category is considered as self-employed and in countries like Germany, Denmark, Ireland, Portugal and Spain the second category is also included in self-employment statistics.

As per the National Sample Survey Organization, Ministry of Statistics & Programme Implementation, Government of India, self-employed referred to those persons who operated their own farm or non-farm enterprises or engaged themselves independently in a profession or trade on own-account or with one or few partners. Their remuneration was determined wholly by sales of goods or services produced, or profits raked in therefrom.

Self-employment research focuses on individuals who employ themselves. In most studies these people are classified as wage earners and not as entrepreneurs. However, in the recent research studies, individuals who have established firms and have no employees are considered as 'self-employed'. On the other hand, individuals, who have established firms and have employees working with them, are considered as 'wage earners'. In the dynamic perspective, a study of self-employment focuses on the total entry and exit of nascent and start-up activity, whereas in the static perspective self-employment and business ownership is differentiated.

Sharma and Chrisman define corporate entrepreneurship as “ the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization”[15].

It is observed that, in most cases, self-employed individuals may not create an enterprise at all. Every self-employed person is not necessarily an entrepreneur but every entrepreneur is self-employed. New venture research focuses on the rate of new firm entrants, typically measured as new incorporations, so such businesses as proprietorship or partnership will not be included [16].

In the present study, industrial entrepreneurship is defined as the creation, founding, adapting and managing a venture. Essentially, these must be ventures formally registered with the authorities.

1.2 An Overview of Entrepreneurship in India

The movement of “entrepreneurship development” in India started out as the strategic innovation of “small industry development.” Both, the Small scale industries (SSI) and entrepreneurship development supplemented each other. Right since independence to date, the growth and development of small-scale industries in India has received a strong and considerable attention. In spite of this, entrepreneurship growth in India has lagged behind due to lack of innovative spirit arising from a faulty education system, absence of proper incentives and environment to innovate, lack of proactive and favourable government policies, non-availability of risk capital and the Indian mindset of having a comfortable and secured career choice [17].

Entrepreneurship Growth in India

The formation of industries in India started with retail trade, wholesale trade, importing, exporting and finally manufacturing. Trading and financial backgrounds remained almost an exclusive source of entrepreneurship. Growth of the entrepreneurship in India can be analyzed in three phases, Pre-British, British and Post British.

Pre-British Period:

Historically Indian society was divided into religious and regional sections. Hinduism is the major religion in India. Caste is an integral part of Hindu religious belief. Each caste group was separated on functional lines and then workforce was divided clearly based on caste system. Socio-religious norms allowed little scope of mobility between one occupation and another. According to Varna scheme, the Hindu society consists of five broad caste categories. Table 1.3 lists these categories with their primary occupational focus.

Table 1.3: Caste Categories and Their Occupation Based on Varna Scheme

| Caste | Occupation |
|--------------|-------------------|
| Brahmins | Priests |
| Khastriyas | Rulers |
| Vaisyas | Traders |
| Sudras | Cultivators |
| Untouchables | Menial workers |

Source: Pariyaram M. Chacko, *Caste, Business and Entrepreneurship in South India*, Kanishka Publishing House, Delhi, 1991: 3.

Each caste is linked to an occupation. Moreover, castes are further divided into several sub-castes. The segment traditionally associated with entrepreneurship were the Vaisyas, who specialized in trade. In northern India the term ‘baniya’ was used to denote any merchant. Indian entrepreneurship mainly came from three community groups, Parsees, Gujaratis and Marwaris. Both Parsees and Gujarati entrepreneurs had their beginning as traders whereas Marwaris were from money lending class. This coincides with the usual pattern that, industrial entrepreneurs had begun their enterprise mostly as traders.

During the 17th century there were number of merchant princes in major trading areas in the Indus river valley in northwestern India, and coastal southern India, who were actively engaged in foreign trade. They were also lending huge sums of money to European firms at very high interest rates. Well-known merchant princes of 17th century and the region they belonged to are portrayed in Table 1.4.

Table 1.4: Merchant Princes of 17th Century

| Merchant Princes | Region |
|--|----------------|
| Vinji Vora, Shantilal Zaveri, Travadi Krishnaji Arjunji | Western India |
| Jagat Seth | Eastern India |
| Malyas | Southern India |

During the 18th century a few specific castes and community groups of Indian origin played a major role in the rise and growth of India's business class. Table 1.5 lists the castes that dominated business in different regions of India.

Table 1.5: Region-wise Caste Domination in Business

| Region | Caste |
|--------------------|---------------------------------|
| Northwestern India | Khattris and Lohanas |
| Gujarat | Baniyas and Parsees |
| Maharashtra | Yajurvedi Brahmins and Marwaris |
| Northeastern India | Marwaris |
| Bengal | Subarna Baniks and Kayasthas |
| Andhra Pradesh | Kommatis |
| West Coast | Syrian Christians |
| Tamil Nadu | Chettiars |
| Orissa | Teti, Gola, Patara, Kumuti |

Gujarat had a highly developed bania community, which consisted of Hindu Jain and Muslim trading communities (Bohras, Khojas and Kachchhi). For centuries the trading community of Gujarat and erstwhile Saurashtra had been involved in foreign trade, especially in west Asia - mostly with Iraq and Iran. The largest trading and industrial

group in Gujarat was the Jains. After the formation of Pakistan a large number of Bohras and Khojas migrated to Pakistan and became the famous entrepreneurs of Karachi.

In late 19th and early 20th centuries a large number of people from Patel community of Gujarat migrated to Kenya, Uganda, Tanzania, Zambia and South Africa to first get started with trading and then focus on growth and diversification. In Maharashtra, entrepreneurship flourished in Mumbai, Pune and Dahanu. The Kirloskar group founded the largest Maharashtrian industrial house. Chettiars were the traditional trading groups in Tamil Nadu, while in old Mysore state the prominent traders were Shettys. However on the contrary, the best-known industrial house in Tamil Nadu, namely, the TVS group of engineering industries, is of Brahmin origin. Parsees migrated from Persia to Gujarat and started their career as small farmers. In the 19th century, they took English education and adapted to European lifestyle to become pre-eminent lawyers, physicians, scientists and other professionals. They were brokers for the European traders at Bombay and Surat and later gradually established themselves as merchants. By the middle of 19th century they emerged as a dominant trading and financing community in Bombay and Gujarat. During the same time they controlled majority of the India's foreign trade. 1870 onwards Parsees established several cotton mills in Mumbai. Two of the well-known Parsee industrialists include Jamshedji Nussarwanji Tata and Adi Godrej. Jamshed N Tata was the first to establish an iron and steel mill in India. Adi Godrej pioneered manufacture of steel safes, office/hospital furniture and consumer durables.

Rajasthan was faced with insufficient rainfall, famines, the economic exploitation by feudal lords and the terror of robbers and dacoits. Because of these reasons the trading community of Rajasthan, especially Shekhawati Marwaris migrated to other places in India. In the mid-nineteenth century other trading community of Rajasthan, viz., Oswal, Agarwal and Maheshwari migrated to Calcutta and displaced the Bengalis as the principal collaborators of the expanding British companies, and occupied the key entrepreneurial positions of trader and financier. It was only after 1920, that the Marwaris entered the manufacturing sector.

The beginning of the industrial age in India was seen in Calcutta. Entrepreneurs from Bengal as well as other parts of India, maintained a significant base of operation in Bengal. All the goods were sent from Calcutta and were from four families viz., Durgha Prasanna Ghose, Rajender Dutt, Raj Kissen Mitter and Nusserwanjee Wadia.

The climate for entrepreneurship during the pre-British period was not conducive. The problems were political instability, customs barriers (chowkies), adverse taxation policy, large number of currencies with no method for determining exchange rates, religious system of education focusing on the reinforcement of occupational structure as determined by the caste system and lack of roads, lack of communication system and weak economic infrastructure. Business (as a career option) was held at low esteem. These factors helped the emergence and growth of self-managed regional markets and village economies but restricted the growth of large-scale commercial undertakings. There was little inducement for major entrepreneurial break-through to those already in business. There was almost no temptation for non-commercial classes to give up their traditional profession in favour of enterprise building.

British Period:

Between 1834 and 1845 Bengalis and Englishmen jointly established large numbers of partnership firms. Well-known among them were Carr Tagore, Union Bank, Oswald Seal and Rustomji Turner. The Hindus who participated in these ventures were ideologically and culturally close to English either by personal contact or by education. As a result of mismanagement, around 1847 these firms were almost dissolved. Before 1850 there were few attempts made to set up factories although Englishmen and allied Europeans established a few factories in India in the first half of the nineteenth century.

English education in India was introduced in the year 1835. The education system introduced by Lord Macaulay curtailed creativity and innovation and led people to become more risk-averse. During this time, government jobs were considered more secure and viewed as a source of power. Except for Gujaratis and Marwaris, every one

felt secure in a government job. Entrepreneurship was considered as a career option only for those who were unemployed. Bright and capable persons usually never considered entrepreneurship as a career option.

During the 1840's customs barriers were removed, political unity was established, a unified currency for entire British dominion came into existence. In the early 1850's, railways and post and telegraph systems came into existence. The first ever Company Law was also enacted during this period. This worked as a starter and an impetus for the promotion and growth of entrepreneurship in India.

British entrepreneurs developed coffee and tea plantations, and jute manufacturing. Few of these had access to sufficient capital. They mostly started off as small firms, gradually diversified, and finally ended as conglomerates with multiple products and businesses. Such conglomerates were managed through the agency system. Some of the Indian traders established agency connections with reputed British firms of London. In course of time, the commercial activities of British firms increased. This led to changes in the material environment, establishment of agency houses in Calcutta, Bombay and Madras, introduction of the English education system, and the emergence of the 'Protestant ethic', which resulted in the establishment of the 'Brahmo Samaj' in Bengal, the Parthian Samaj and the Arya Samaj. The 'Protestant ethic' encouraged non-commercial classes to look at appropriate opportunities in the commercial sector. All these changes created a conducive environment for entrepreneurship.

As the British East India Company lost its monopoly the Indian agencies increased and expanded their activities. However, the Indian trading community kept themselves away from businesses like jute, coal, etc., where British firms had a strong hold. Indians were actively promoting and financing indigo plantation, leather manufacturing and sugar refining. British entrepreneurs were not interested in cotton textiles and steel manufacturing. Taking this as an opportunity, Indian entrepreneurs established and flourished in cotton textile and steel businesses. The Parsee community took early initiatives to set up these industries.

In the 19th century well-known trading communities of India viz. Jains and the Vaishyas continued to be less enthusiastic about manufacturing because it meant delayed returns and higher risks. For them, traditional occupations were providing quick, large and secured profits. Being highly conservative they needed more time to change from commercial entrepreneurship to industrial entrepreneurship.

During this period, the education system had a great impact, with the non-commercial classes looking at commercial opportunities more sympathetically and meaningfully than before. A classical example of this is Dwarkanath Tagore, a Brahmin, the first high caste Hindu to enter business he founded Tagore Carr Company. He also established a European type bank, a steamship company, a colliery and many other minor ventures.

In the early twentieth century small beginnings were made in establishing heavy industries in India viz., steel, engineering, electric power and shipping. Table 1.6 lists some of the notable entrepreneurs and the businesses they established [18].

Table 1.6: Indian Entrepreneurs & the Businesses Established in early 20th Century

| Entrepreneur | Business Established |
|-------------------------|-----------------------------|
| J.N.Tata | Iron and steel |
| Ranchhodlal Chhotelal | Textile |
| N.M.Tripathi | Publishing |
| Rajendra Nath Mookerjee | Iron Works |
| Laxmanrao Kirloskar | Agricultural machinery |

The First two decades of the 20th century provided necessary inducements for the trading community to start industries. The inducement was through Swadeshi movement and the First World War, which disrupted imports and created demand for indigenous products.

As a post-war move, the Government of India changed its free trade policy and started protecting selected domestic industries. Simultaneously, a large number of banks were

established. These measures helped in establishing and extending factory system in India and gave an impetus to the development of a wide range of industries including steel, paper, sugar, cement and also matches.

In the year 1921, the Fiscal Commission of India recommended that the Government of India (GOI) protect domestic industries in iron and steel, cotton textiles, sugar, paper, matches and heavy chemicals. In 1931, the Indian National Congress promised the government ownership and control of industries in India. The Birlas, Dalmias, Goenkas, and Juggilal Kamlapat, and Walchand Hirachand established businesses during the inter-war years. Businesses were promoted in the fields of sugar, cement, textiles, construction, chemicals, newspapers and publishing, banking, insurance and a host of other fields. Alembic Chemical Works, New Shorrock Cotton Mills (Mafatlal House) were established by the Patidars in Gujarat. Thapars started with coal mining and moved into paper and sugar manufacturing. Mahindras took up the production of engineering goods. Both Thapars and Mahindras were Khatri. Indra Singh a Sikh launched a number of industries in engineering and textile.

Post-British Period

After independence many critical obstacles to entrepreneurial development were dismantled. The government laid stress on import substitution. The purchase policies of the Directorate General of Supplies & Disposals (DGS&D) provided a major impetus towards stimulating entrepreneurial activities. Many non-traditional business communities and individuals ventured into business. These entrepreneurs had capital and they came from the dominant caste group of the given locality. Others who got inducted into business entrepreneurship were those who belonged to lower middle class but had the ability to refine their skills and abilities.

The culture and religious values of India were constantly reinterpreted to suit the changes in the material environment. As the infrastructural changes pointed to the new avenues of

profits, the religious inhibitions and value systems sanctified by the scriptures and traditions were either compromised or re-adapted to break the occupational immobility.

Since independence India's industrial development has been sustained largely by domestic entrepreneurship. During 1950-1970, government policies, both promotional and protective, helped a large number of small-scale entrepreneurs to enter the national market. Earlier, there was an uneven distribution of industries in different regions of the country. The GOI policy initiatives in the year 1945 had made the state governments to accept the responsibility to develop an environment conducive for industrial development, preferably in those areas where private participation was lacking.

The first Industrial Policy Resolution, in 1948 provided major guidelines for industrial and entrepreneurial development in India. The government strongly supported import substitution and opened the field to new and advanced technology. Until that time, "trading" was the major entrepreneurial activity in India. The Second and Third Five Year Plans stressed on greater industrial development. During these plan periods, industrial estates were created, through major government investments. The Industrial Policy Resolution, 1956 encouraged the federal government to follow a policy of supporting cottage, village and small-scale industries. It encouraged creation of competent Small and Medium Enterprises (SMEs).

In the year 1961, The Indian Industrial Commission made the first recommendation that the Government of India should play an active role in the industrial development of backward regions of the country. However, little initiative was taken by the central government at that time as it was intensively involved in the development of institutions for rural community development, credit organizations, export promotion schemes, institutions to develop transport and communication, education, health services, scientific and technological research. In 1991, GOI policies, for the first time, became more liberal and open, which resulted in the emergence of a large number of information, communication, technology (ICT) firms.

Small and Medium Enterprises (SMEs)

The SMEs sector has been playing a crucial role in the socio-economic development of India. It has contributed phenomenally in terms of gross domestic product, employment generation and exports. SMEs are actively promoted by government because of their positive attributes like labour intensity and dispersed development through entrepreneurship.

The states in which entrepreneurs are concentrated have noticeably higher levels of economic and social development than those in which there is a relative absence of entrepreneurs. It is observed that industrially developed states have higher per capita income, urban-rural population ratio, average literacy rates and female literacy rates than the national average. Also, in these states the growth in population is less than the national average [19].

The growth of Small Scale Industry (SSI) sector has been largely due to the diffusion of innovations by entrepreneurs who perceived opportunities and seized them with determination, overcoming the resistance to change inherent in the country's socio-economic environment.

Though the term 'small and medium enterprises' (SMEs) is quite commonly used in both by the Government as well as the business circles, till date, it has not been clearly defined. Any enterprise, which has an investment of upto ten million rupees in plant and machinery, is called a small-scale industry. Appendix 1 gives detailed information on the definition of business enterprises.

In the year 2000 S.P.Gupta Committee recommended a three-tier definition based on investment in plant and machinery:

- Tiny unit: up to Rs. 1 Million
- SSI unit: up to Rs. 10 Million
- Medium units: Rs. 10 Million to Rs. 100 Million

Accordingly, on June 7, 2005, the Ministry of Small-Scale Industry approved a new definition for medium industries. Under the new definition, a medium-scale industry would be one with investment in plant and machinery of rupees ten million to rupees hundred million [20].

The SSI sector has witnessed a phenomenal growth in the post-independence period. Today, this Sector contributes 40% of the industrial production, 35% of the total exports and employs 20 million persons in three and a half million SSI units in the country. The sector acts as a "nursery" for the development of entrepreneurial talent, manufactures a wide range of more than 7500 products and supplies the lower income groups with inexpensive consumer goods and services. In the year 1955, almost 90 per cent of industries in India were small enterprises i.e., enterprises using electrical power and yet employing less than fifty persons or enterprises not using electrical power but employing less than 100 persons. At present women entrepreneurs constitute about 10% of the total number of entrepreneurs in India.

Rapid economic development can be achieved by promoting large industries-both, demand and resource based. However, countries like India require development and promotion of small-scale industries for the following reasons.

- SSIs are labour intensive and hence, can provide large employment. This is particularly relevant in countries which have a large population.
- SSIs require little capital as compared to large-industries. This suits countries which are low on capital.
- SSIs help to produce and distribute income and wealth on a wider scale. In case of large-scale operations, the wealth gets concentrated in the hands of only a few individuals.
- SSIs, serving as ancillary industries, can speed up the process of industrialization.

1.3 Entrepreneurship in Rajasthan

The state of Rajasthan, in its present form is a conglomerate of 19 princely states and three chiefships, with varied geographic coverage, population, and the pace of administrative and socio-economic development [21]. The 32 districts in Rajasthan are further subdivided into 105 sub-divisions and 241 tehsils.

Rajasthan with an area of 3.42 lakh sq. kms is the largest state in India. With its two third portion as desert, the state is characterized by recurring drought and famine. According to 2001 census, the population of the state is 56.4 million with a density of 165 per sq. km. Though, the state accounts for 10.4% of country's area, 5.2% of its population and 10.6% of the area under cultivation, it has barely 1% of India's water resources. The economy of the State has shown a structural shift, with 13.1% contribution of manufacturing sector to Net State Domestic Product (NSDP) in the year 1997-98 from a mere 1.6% during 1987-88.

Rajasthan has a large number of entrepreneurs in the Western region. Industrial development within the state is hampered by scarcity of resources. About half of the state is a semi-desert and the natural resources in the other half can only support resource-based industrial units like cement mills. At the time of creation of state in 1949, Rajasthan had 11 large-scale units and 207 registered factories. At the end of 2002 there were 367 large and medium scale units and 229,793 small scale units.

1.3.1 Historical Background

Rajasthan has a predominantly agrarian society, with nearly 70 per cent of population depending on agriculture and allied activities. The main crops of the state are food grains, pulses and oil-seeds. Out of the total production in India, the state is the largest contributor of wool (40%) and guar seeds, food processing, cosmetics and mining (70%). It is the second largest producer of oilseeds like rapeseed, soya-bean and mustard and third largest producer of milk (10% share). The state is also a leading producer of maize

(10% share) and wheat. It has rich and varied livestock resources with second largest animal population and having 30% share in meat production in the country. Rajasthan also accounts for 6% of the total food production in the country.

Rajasthan is rich in mineral resources. The Aravalli hill range, which cross the state from the northeast to the southwest, has abundant mineral resources such as limestone, marble, granite, mica, iron ore, manganese ore, copper ore, china clay, etc. Some of the items manufactured in this region include ceramics, electronics, tyres, steel, marble and processed granite. Apart from metallic minerals, over 20 different non-metallic minerals are produced in the state. It enjoys a monopoly in zinc ore, asbestos, calcite, gypsum and soapstone. Rajasthan also has large deposits of various building, decorative and ornamental stones such as marble, sandstone, Kota stone, Jodhpur stone, Dholpur stone, Karoli stone, slate and granite. Appendix 2 provides details of mineral sources of Rajasthan.

The share of different sectors in the Net State Domestic Product (NSDP) from 1990 to 2003 is presented in Appendix 3. It is observed that agriculture and allied activities have been the major contributors to the state NSDP over the years. However at present it shows a declining trend. The ‘other services’ sector has been the second largest contributor to the NSDP having a growing trend over the years. In fact, it overtook agriculture sector in the year 2003. Trade, hotels and restaurants are the third major contributor to NSDP. Manufacturing sector ranks fourth in terms of contribution to the NSDP. Since 1997, this sector has shown phenomenal growth in its contribution to the NSDP. Over the years, construction, transportation and communication have also shown a significant growth in contribution to the NSDP. Electricity, gas and water supply sectors’ contribution is minimal. Mining and quarrying have contributed the least.

Percentage share of employment provided by these sectors over the last four decades are presented in Table 1.7. It is observed that except agriculture all other sectors have shown an increasing trend.

Table 1.7: Sectoral Share of Employment**(in percentages)**

| Sector | 1977-78 | 1983-84 | 1987-88 | 1993-94 | 2001-02 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Agriculture and Allied Activities | 81.15 | 76.28 | 63.94 | 68.83 | 45.30 |
| Services | 4.86 | 5.56 | 6.75 | 7.46 | 13.20 |
| Manufacturing | 5.90 | 7.02 | 8.41 | 6.30 | 12.65 |
| Trade and Commerce | 3.39 | 4.04 | 5.28 | 5.04 | 12.50 |
| Construction | 2.53 | 4.08 | 11.59 | 7.23 | 9.30 |
| Transport, Storage and Communications | 1.24 | 1.74 | 2.22 | 2.31 | 4.75 |
| Mining and Quarrying | 0.72 | 0.49 | 1.31 | 1.67 | 1.90 |
| Electricity, Gas and Water | 0.21 | 0.52 | 0.38 | 0.42 | 0.40 |
| Others | 0 | 0.27 | 0.12 | 0.74 | 0 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: Government of India, Sarvekshana NSS 32nd, 38th, 43rd, 50th and 55th Round
Department of Statistics, National Sample Survey Organisation, New Delhi.

Rajasthan is famous internationally for its traditional craftsmanship, textile products, gems and jewellery and leather products. It exports a wide range of products like precious and semi-precious stones, handicrafts, readymade garments, carpets, leather and leather products, minerals and engineering goods. In the last fifty years, it has emerged as a major tourism destination in India, both for domestic and foreign tourists. Rajasthan is also famous for traditional skills like block printing, embroidery, tie and dye, etc.

The major strength of the state is its proximity to various Northern and Western markets of India. Major constraints are low levels of technology, high levels of risk, and poor credit and market infrastructure. As per the State Infrastructure Development Index 2000, studied by the Economic Times and Center for Monitoring Indian Economy for nineteen states in India, Rajasthan ranked eighteenth.

Contribution of Marwari and Shekhawati Industrialists:

For more than three hundred years, merchant traders have travelled from Rajasthan villages across northern and eastern India, as well as to Russia and Central Asia. These traders belonged to a varied trading heritage, identified by various sub-castes. By the late nineteenth century, they acquired the ethnic tag "Marwari". The Marwaris are renowned all over India as the most prominent group of migrant *baniya*. They acted as intermediary traders or middlemen for the British firms. In 1564, merchants of Marwar were awarded the contract of supplies for soldiers of Akbar's camp during the reign of Suleman Kirani. Upon their arrival in Bengal, these merchants introduced themselves as Marwaris.

The term Marwari literally refers to someone who hails from or is an inhabitant of Marwar - the erstwhile Jodhpur state. Indeed, there is no name as Marwaris in Rajasthan; they are known as "Marwaris", when they leave their homeland in search of enterprise. There seemed to be at least two references to Marwar: first, as the subjective extent of the older Marwar kingdom, and second, as an objective place name interchangeable with Jodhpur district. The district of Jodhpur was the former capital of the kingdom of Marwar, and the two names remain somewhat interchangeable [22].

Most Marwari families originally came from the Shekhawati region. Today this region encompasses Churu, Jhunjhunu and Sikar districts [23]. Marwaris restricted their activities to trading in cotton-cloth, banking, and insurance. They also operated as commission agents. Later, they involved themselves in exports and imports, trading in shares, brokerage and speculation. They were dominant in the trading of grains and logs.

There are 128 merchant Marwari sub-castes in Rajasthan. Out of these, only five acquired the distinction of becoming prominent in national commerce. These were the Maheshwaris, Oswals, Aggarwals, Podwals and Khandelwals.

Historical evidence shows that Marwaris were involved traditionally in financing. To quote a few examples, Seth Mirzamal advanced a sum of four lakhs of rupees to Maharaja Surat Singh of Bikaner. The Poddars of Ramgarh provided financial assistance to the Raoraja of Sikar. While serving the Mughal Nawabs of Bengal, the head of Oswals community of merchants was given the hereditary Mughal title Jagat Seth ("Banker of the World").

In the 17th century, the Marwari traders reached Bihar and Bengal. Between 1780 and 1830 the Agarwals of Shekhawati established their business empire in Hapur, Hathras, Firozabad and Mirzapur.

In the early 19th century Thakur Sheo Singh levied heavy taxes on the Poddars of Churu. The Poddars migrated and founded a new town, Ramgarh, 15 kms. south of Sikar. The development of transportation and communication facilitated the Marwaris' migration to the states of Uttar Pradesh, Orissa, West Bengal, Maharashtra, Hyderabad and Mysore. A few Marwaris even migrated to foreign countries. Bhagwandas Bagla was the first Marwari millionaire, who went to Burma and settled in Rangoon.

Marwaris were experts in the banking system. Nine-tenths of the bankers and commercial men of India are natives of Marwar. Many of the large Marwari firms were primarily bankers in Rajasthan, headquartered at Shekhawati, Ajmer and Bikaner. They were engaged in banking, hundi, chitthi and sarafa market. M/s G.Raghunathmal, Bankers, were the first to conduct banking business in English style in 1918.

The Marwari traders started their work as agents and munims in British firms and by their hard work and British patronage improved their financial status and excelled in many

businesses. Table 1.8 and Table 1.9 depict where Marwari agents and businessmen excelled in business.

Table 1.8: Marwari Agents in British Firms

| Agents | Name of Firm |
|-------------------|--------------------------|
| Nathuram Saraf | Miller Kinsell and Ghose |
| Ramkumar Chokhani | Ludwig Duke |
| Hariram Goenka | Ralli Brothers |
| Onkarmal Jatia | Andrew Yule |
| Anandilal Poddar | Toyo Menka Kaisha Ltd. |

Table 1.9: Marwari Businessmen and their Areas of Excellence in Business

| Marwari Businessmen | Areas of Excellence |
|--|----------------------------|
| Poddars, Ruias, Birlas | Cotton textiles |
| Bilasirai Kedia, Gulraj Singhanian, Ramdayal Nevatia, Nathuram Poddar & Jekhram Ruia | Opium |
| Surajmull Jhunjhunwala & Nathuram Saraf | Cotton textiles |
| Ganeriwala | Banking |

After 1910, Marwaris started setting up industries. Their entry into setting up of new units featured significantly in the 1920s. Table 1.10 gives details about various businesses set up by Marwaris between 1910 and 1920.

Table 1.10: Businesses Established by Marwari Entrepreneurs During 1910-1920

| Marwari Entrepreneur | Business | Year of establishment |
|-----------------------------|-------------------------------|------------------------------|
| Surajmull Nagarmull | Jute factory | 1911 |
| Surajmull Nagarmull | Jute factory | 1915 |
| Surajmull Nagarmull | Jute factory | 1916 |
| Birlas | Jute export office in London | 1917 |
| Birlas | Cotton Mill in Calcutta | 1920 |
| Birlas | Gwalior Cotton Mill | 1921 |
| Sekserias | Textile mills | NA |
| Ramkrishan Dalmia | Cement Factories | NA |
| Sarupchand Hukumchand | Opium speculation office | 1915 |
| | Textile Machinery Corporation | 1915 |

The Marwari community stayed away from doing business in engineering, iron and steel, pharmaceuticals and cement until mid 1930's. Essentially being traders, they were shy of entering into multi-process industries. They preferred to be in the businesses they knew and were fully conversant with.

The British changed land settlement policies, and necessitated the payment of taxes in cash rather than in kind, which resulted in greater commercialization of agriculture. Since there were no formal banks to provide credit, Marwari traders migrated to the countryside as moneylenders. As traders, many Marwaris had enough surplus capital to become moneylenders, and they facilitated British commercial expansion.

Marwaris invited their relatives to come to the cities of their establishment to lend a helping hand in the consolidation, expansion, and the diversification of their businesses there. Through their intricate networks of trading and credit, they established strong

relationships with one another and formed trading groups. Trading connections and mercantile intelligence were formed by linkages through marriage and kinship, perceived later on as forming a caste community, as well as credit-networks between inter-caste groups [24]. During the Second World War many Marwari families including Bangurs, Goenkas, Shethias, Beriwallas, Jhunjhunwallas, Bhuwalkas and the Jaipurias entered the industrial scene [25].

The sequence in which the Marwari community entered industries, were wool, opium, imported cloth, jute and cotton [26]. Most of the Marwaris were originally intermediaries for domestic manufacturers, for foreign companies and importers.

Pandit Jawahar Lal Nehru, realized the immense potential of industrial sector, and encouraged Birlas, Goenkas, Dalmias, Ruias, Poddars and Singhania to expand, diversify, and get into core sectors of industrialization and entrepreneurship [27].

A report by The Monopolies Inquiry Commission of 1964 indicates that, Marwaris owned ten of the thirty-seven largest industrial houses. In the year 1986, the Birlas, Singhania, Modis, and Bangurs together accounted for one third of total assets of top ten business houses in India.

Between 1935-40, Marwaris entered the then technologically advanced sectors as well. The Dalmia group controlled the biggest sugar mill in India. Three of the four largest sugar mills were under Marwari ownership. In the paper industry, they accounted for 29 per cent of the capacity available in the Eastern region, and were setting up mills in other regions as well. Six of the collieries set up between 1942 and 1945 were under the control of Marwaris. The Dalmias set up Bharat Bank, which was later merged with Punjab National Bank. Singhania and the Jaipurias established Hindustan Commercial Bank Limited. United Commercial Bank was established by Birla Brothers in 1943. In 1949 Dalmia group established a cement factory in Orissa. In 1951 Bajaj group laid the foundation of Hindustan Lamps.

Shekhawati Industrialists:

Covering an area of some 30,000 sq km, the Shekhawati region encompasses the districts of Churu, Jhunjhunu and Sikar. The ancestors of the industrialists of the Shekhawati region were specialists in trading.

A few Marwari firms such as the following were also involved in international business.

- Tarachand Gahanshyam Das
- Soorajmull Nagarmull
- Swaroop Chand Prithviraj
- Bhagwan Das Bagla
- Anandilal Podar

The leading Marwari speculators were J.K.Birla, Harduttrai Chamaria, Sir Sarupchand Hukamchand, Swaroop Chand Prithviraj Rungta, and Chaturbhuj Piramal. The well-known speculators in cotton and silver included Ramrikhdas Parsarampuria and Govindram Seksaria.

The Rungtas established the following firms:

- Indore-Malwa Mills at Indore
- Vishnu Sugar Mills Limited, Bihar Bharonch Fine Spinning and Weaving Co. Ltd.
- Man Industrial Corporation Ltd., Jaipur
- Govind Oil Mills
- Arun Oil Mills, Gujarat
- Ankleshwar Ginning Factory, Tuticorin
- Ginning and Pressing Factory, Madras
- Akola Electrical Supply Co. Pvt. Ltd.
- Deccan Vegetables Products Ltd.
- Famous Laboratories and Studio Ltd., Bombay

- Pulgaon Ginning and Pressing Factory
- Bank of Bombay and Aurangabad Ltd.

The most powerful Marwari entrepreneurs included G.D.Birla, Kesoram Poddar and Sukhlal Karnani [28]. After independence, Marwaris bought out firms established by the English. Table 1.11 lists the firms acquired by them.

Table 1.11: Business Acquired by Marwari Entrepreneurs

| Marwari Businessmen | Firms Acquired |
|----------------------------|---------------------------------|
| Dalmia | The Times of India |
| Bangurs | Kettlewell Bullen |
| Soorajmull Nagarmull | Davenport and Macleods |
| Badridas Goenka | Octavius Steel and Duncan Bros |
| Kanorias | Anderson Wright |
| Birlas | Sirsilks and Sirpur Paper Mills |

As per the report of the Industrial Licensing Policy Inquiry Committee, 1969, the large Industrial Houses of Shekhawati were Agarwala Ramkumar, Bajaj, Dalmia, Jaipuria, Kanoria B., Kanoria R.K., Podar, Ruia, Bangur, Birla, Goenka, J.K.Singhania and Soorajmull Nagarmull. In the year 1983, The Economic Times Research Bureau investigated several large enterprises in the private sector. It collected data on total capital employed, net worth, net sales and gross profit. On the basis of investigations of 101 giants, 27 were found to be from Shekhawati. The top seventeen companies belonged to the Birla group.

Rajasthan State Government's Role in Promoting Entrepreneurship:

The First Five Year Plan of the state government of Rajasthan was formulated as an emergency plan with the broad objective of increasing agriculture production and facilities for irrigation, development of power resources and provision of minimal social services such as education and medical facilities. The main emphasis of the Second Plan continued to be on agriculture, irrigation, power and social services. Both First and Second plans were only preparatory works paving the way for elaborate future plans. The Third Plan laid the foundation for self-sustaining economic growth of the state. It also had a well-organized machinery to implement the policies and programmes. The focus was on increasing agriculture and industrial production. There was substantial increase in the generation and distribution of power.

Right from the First Plan, a determined effort was made to provide all necessary requisites for optimum industrial development. Incentives were given in the form of financial aid, provision of land, water and power at concessional rates, supply of controlled and scarce raw materials, etc.

The development potentialities of the state were surveyed during the Second Plan period. The Directorate of Economic and Industrial Survey and Directorate of Industries and Small Industries Service Institute (SISI) conducted industrial surveys on a number of districts. The government formed various committees for preparing reports on the development of sugar, paper, cardboard, cement and glass industries. To meet the demand of technical personnel, the government established 3 engineering colleges, 6 polytechnics, 15 Industrial Training Institutes throughout the state. To provide financial assistance to entrepreneurs the government of Rajasthan formulated very liberal rules under the State Aid to Industries Act, 1958.

The Rural Industrialization programme, launched under the Third Five Year Plan, facilitated the establishment of 193 industrial units in Churu and 415 units in Nagaur.

Table 1.12 provides shows the expenditure incurred by the Government of Rajasthan during various planning periods towards promotion of Industries in the state.

Table 1.12: Rajasthan Government Expenditure on Development and Promotion of Industries and Minerals

| Five Year Plans | Rajasthan State Govt. Expenditure (Rs. Crores) |
|--------------------------|---|
| First (1951-56) | 0.46 |
| Second (1956-1961) | 3.37 |
| Third (1961-1966) | 3.31 |
| Annual Plans (1966-1969) | 2.06 |
| Fourth (1969-1974) | 8.55 |
| Fifth (1974-1979) | 34.53 |
| Annual Plan (1979-1980) | 11.87 |
| Sixth (1980-1985) | 83.66 |
| Seventh (1985-1990) | 145.57 |
| Annual Plans (1990-1992) | 150.97 |
| Eighth (1992-1997) | 638.98 |

Source: Some Development Facts of Rajasthan, Directorate of Economics & Statistics, Government of Rajasthan, Jaipur: 6.

As per the new industrial policy of Rajasthan 1990, the state was declared industrially backward. Lack of infrastructure and shortage of water and power were identified as the main reasons for this. Almost fifty percent demand for power in the state was met from external sources and that was expensive too. As a result of this, in the nineties the state government focused on industrial development through rebuilding and coordinating the inputs required for infrastructure. Rajasthan State Industrial Development & Investment

Corporation Limited (RIICO) took a lead role in this by developing industrial areas and providing package facilities to new investors.

On the implementation of the new industrial policy, there was rapid progress in industrialization. By August 1996, 1459 memorandums from industrial entrepreneurs were presented to the authorities for their consideration.

1.3.2 Current State

Over the years, the industrial sector has made a rather meagre contribution towards the NSDP of the state. Till date, agriculture has been the largest contributor to the NSDP of Rajasthan. Appendix 4 depicts the industrial scenario of Rajasthan. In the manufacturing sector, textiles, agro-based products, non-metallic minerals, basic metals and handicrafts account for 70% of the output, 60% of the net value added, 76% of employment and 65% of fixed capital investment. Rajasthan has a dynamic textile manufacturing system with modern spinning, weaving and processing. Rajasthani artisans in textile printing have been acknowledged internationally.

The industrial development of Rajasthan began in late 50s'. Business clan like Birlas, Shrirams, and Singhanias set up large-scale projects here. National Engineering Industries, a Birla group company, was established in 1950. JK Synthetics of the Singhanias came into existence in 1962. Shriram Rayons was started in 1965. Today, almost all prominent groups including Thapars, Modis, Goenkas, Bangurs, Poddars and Rankas have a manufacturing base in Rajasthan.

Other well-known industries in Rajasthan include Chambal Fertilizer, Samtel India, Modi Alkalies and Chemicals Ltd., Shriram Chemicals and Fertilizers Ltd., Ashok Leyland ltd., and Eicher. Appendix 5 gives information on the existing major industries in different districts of Rajasthan.

At the time of formation of the state there were 11 large-scale units and 207 registered factories, and at the end of March 2003, the state had 369 large and medium scale operational units and 2,41,045 SSI units.

Small-scale industries (SSI) predominate in Rajasthan and industrialization is concentrated only in a few districts. Jaipur, Jodhpur, Kota and Alwar account for over 50 per cent of the industrial output. Large and medium Industries are concentrated in Alwar, Jaipur and Kota. SSIs are concentrated in Alwar, Bhilwara, Jaipur, Jodhpur and Ganganagar. Barmer, Dausa and Jaislemer do not have a single large or medium scale industry.

Appendix 6 gives the of district-wise break-up of large and medium industries along with their fixed capital, working capital, employment and production details. By the year ending 2003, there were 2,41,045 SSI units in Rajasthan with an investment of Rs. 35,713 million providing an employment to over 927,000 people. Appendix 7 provides the district-wise break-up of SSI units along with their registered numbers, employment and investment details.

National Highway No. 8, which connects New Delhi and Mumbai, is considered the industrial spine of Rajasthan. Nearly 700 kilometers of this road is in Rajasthan covering the districts of Alwar, Jaipur, Ajmer, Rajsamand, Udiapur and Dungarpur. RIICO has identified more than thirty growth centers in this region and has developed new industrial townships at Bhiwadi, Shahjahanpur, Neemrana, Behror and Kotputli. Being mineral rich, mining and allied activities in this region have provided large scale employment to the local people.

Future industrial opportunities in Rajasthan lie in the areas of agro and food processing industry, granite, marble, building stones, ceramics, rock phosphate, gems and jewelry, electronics, biotechnology products, textiles, chemicals, engineering, pharmaceuticals, mining and mineral processing, handicrafts and tourism [29].

1.3.3 Entrepreneurship as a Career Option

The people of Rajasthan are industrious. They are known for their entrepreneurial and trading skills. They have established a number of successful industrial and business ventures in India and abroad.

In Marwari families, there's a lot of education provided with regard to business, by the family and especially by the father. It is a common practice for the wards in Marwari community to go in for an initial apprenticeship where they learn intricate business tactics that stand to them in good stead when they start their own businesses.

The majority of firms in India are family managed. Family members specialize according to industrial activity and management functions. The advantages of family run businesses include the ability to mobilize large amounts of resources, quick and unified decisions, and availability of trustworthy individuals to oversee operations. The most common disadvantage is the limited pool of talented persons for key positions within the firm. Table 1.13 lists the entrepreneurial families of Rajasthan.

Table 1.13: Entrepreneurial Families of Rajasthan

| | | |
|------------|---------------|----------|
| Bajoria | Goenkas | Kanorias |
| Bangurs | Jaipurias | Kedias |
| Beriwallas | Jalans | Poddars |
| Bhuwalkas | Jatias | Ruias |
| Birlas | Jhunhunwallas | Shethias |

The Birla's are Maheshwari *Vaishyas* who were originally *Kashtriyas*. It was in the ninth century that one of their forefathers Behd Singh took to business. The family settled in Budhaulti village in Rajasthan from where they spread to other villages and ultimately put roots first at Nawalgarh and then at Pilani.

The Singhanias are Agarwals who migrated from Singhana village of Jhunjhunu district. In the middle of 18th century, Binodiram reached Farukabad and started trading on a small scale. His son Ramsukh Das entered the banking and promissory notes businesses and established a firm at Calcutta. Ramsukh's son Juggilal set up a business at Kanpur in 1918. At the age of 16 Lala Kamalpat Singhania set up many industries, which included J.K. Cotton Spinning and Weaving Mills Company Ltd., J.K. Jute Company Ltd., J.K. Iron and Steel Ltd., J.K. Oil Mills, J.K. Hosiery Factory, Calcutta, and Kamla Ice Factory. Hari Shanker Singhania and Gaur Hari Singhania played a major role in the establishment of overseas business of the Singhania group. It includes Raymonds Woolen Mills in Kenya, Raymonds (Mauritius) Ltd, Mauritius, J.K. Files in Indonesia, Africa Synthetic Fibres Ltd. Nairobi, J.K. England Ltd. and JayKaylon in Switzerland. The J.K group was very innovative with important technological breakthroughs.

The founder of Bajaj industries, Jamnalal Bajaj was an Agarwal from Kashi Ka Bas (Sikar). He was the adopted grandson of Seth Bachhraj Bajaj of Wardha. He expanded the traditional family trade of cotton ginning, pressing, and indigenous banking and ensured the highest degree of integrity in his dealings, never compromising on principles. He set up Hindustan Sugar Mills Ltd., and a steel re-rolling mill. The group later diversified into manufacturing and production of electrical goods, sugar, iron and steel and scooters.

The founder of Dalmia group, Jaidayal Dalmia, was born in 1904 at Malsisar in Rajasthan. The group is involved in the fields of cement, electronics, chemical, tobacco, plastics, paper, dairy products, cotton yarn, heavy machinery and fertilizers. Ramkrishna Dalmia, known as the "First Marwari Innovator" established the Dalmia group. By the middle of the 19th century, he was recognized as being one of the leading industrialists of India. The Dalmias belong to Chirawa in Jhunjhunu district. Ramkrishna Dalmia entered into cement industry in the year 1936. With a view to challenge the monopoly of English firms, he set up several cement units. He established Bharat Bank and later, also ventured into aviation, and, fire and general insurance business. He acquired control over the Punjab National Bank, Bharat Insurance, Lahore Electric, Bennett Coleman, Govan

group (Dhrangadhra chemicals, Raza sugar, Indian National Airways), Shapoorji Broacha and Madhawji Dharamsi Cotton Mills, Bombay, Keventer Dairy, Delhi. A list of some of the well-known entrepreneurs of Rajasthan is given Table 1.14.

Table 1.14: Entrepreneurs of Rajasthan

| | | |
|------------------------|--------------------|--------------------------|
| Surajmull Nagarmull | Gulraj Singhania | Rameshwar Nathany |
| Anandiial Poddar | Hariram Goenka | Ramkrishan Dalmia |
| Badredas Goenka | Jokhiram Ruia | Ramkumar Chokhani |
| Baldeodas Bajoria | Kanorias | Ramnarain Ruia |
| Bangur | Kesoram Poddar | Sarupchand Hukumchand |
| Bilasirai Kedia | Nathuram Poddar | Sekseries |
| Birlas | Nathuram Saraf | Seth Mirzamal |
| Doodhwawalla | Onkarmal Jatia | Surajmull Jhunjhunwala |
| Ganeriwala | Poddars of Ramgarh | Swaroop Chand Prithviraj |
| Govindram Ghanshyamdas | Ramdayal Nevatia | |

1.4 Objectives

Objective 1: To study the motivation behind starting a venture

An individual is the most important element in entrepreneurship because he takes the decision of starting or not starting an enterprise. This individual behaviour is influenced by various factors like motivational factors, skills of the entrepreneur and his knowledge of several relevant subjects, etc. The decision to become an entrepreneur is a complex interaction between attributes and the situations faced by an individual [30]. The questions of why, when and how opportunities arise and why, when and how some people become entrepreneurs and others don't are the critical questions to be answered by entrepreneurship research. What motivates individuals to consider entrepreneurship as a

career alternative? [31]. Motivation plays an important part in the creation of a new venture. Researches that address these issues are incomplete [32]. Entrepreneurial activity involves doing and thinking. Entrepreneurship research requires a multi-disciplinary and multi-method effort. Researching on entrepreneurship must therefore include both motivation and ability variables.

Some individuals will become entrepreneurs no matter what obstacles they face; others will not become entrepreneurs under any circumstances; but a large number of entrepreneurs will consist of individuals who become entrepreneurs under certain specific circumstances and not others. Therefore, there is a need to study the content of entrepreneurship.

Objective 2: To study the attitude of society towards entrepreneurship as a career option

Entrepreneurship is generated in a society by individuals, who, for some reasons, initiate, establish, maintain and expand new enterprises. Traditions of the families and the society affect entrepreneurs [33]. Entrepreneurship prospers if society views this process favourably. Individuals are likely to start a business when the social environment values entrepreneurship. Society and cultures that value entrepreneurship tend to develop societal systems to encourage it [34]. Studies which do not take into account the effect of family, society and culture on entrepreneurship, are therefore lacking an important factor in understanding the emergence of entrepreneurship.

Objective 3: To study the socio-economic background of entrepreneurs in Rajasthan

A discussion on the determinants of entrepreneurship are not confined to one discipline; psychological studies focus on motives and traits of entrepreneurs, sociological studies focus on the background of entrepreneurs, economics studies focus on the impact of the economic climate and demographic perspective on the composition of entrepreneurship. Caste, education, parental occupation, initiation and support together have a cumulative

effect on the making of an entrepreneur [35]. It is worthwhile to carefully study the role of the entrepreneur including the psychological profile [36].

Objective 4: To document existing policies, programmes, institutional framework and involvement of support agencies in promoting entrepreneurship

It has been observed that the founding of new organizations can be influenced by intra-population, inter-population and institutional factors [37]. The support system also influences the entrepreneurs. The way support system operates may encourage or discourage entrepreneurs to start a venture. Entrepreneurial supply and success depends on nature of labour and capital markets, marketing institutions, remuneration in competing occupations, inducement and barriers to the migration, occupational mobility and government policy [38].

Objective 5: To study the problems encountered by entrepreneurs

“What kind of barriers exist to entrepreneurship?” rather than as to what induces people to become entrepreneurs is the most important factor to be studied. The removal of barriers may encourage more people to become entrepreneurs rather than providing any incentives [31].

Objective 6: To project the future state of entrepreneurship in Rajasthan

Entrepreneurship can be seen either as an individual level phenomenon (self-employment) or as a firm level phenomenon (establishment of firms). As discussed earlier, self-employment and entrepreneurship are two distinct concepts, the second measure i.e. the firm level phenomenon, has been taken as a more valid indicator of entrepreneurship for the present study.

Levels of analysis

Determinants of entrepreneurship can also be studied according to the level of analysis. There are three levels: micro, meso and macro level of entrepreneurship.

Micro level studies deal with studying individual entrepreneurs or businesses. They focus on the decision-making process by individuals and the motivation for starting a venture with a primary focus on psychological traits, formal education and other skills, family background and previous work experience. These studies are broadly referred to as individual level analysis.

A study on the individual level of analysis would relate characteristics of individuals and their entrepreneurial behaviour as a founder of independent businesses. The individuals have to be studied across several enterprise efforts [39].

Meso level deals with studying firms or sectors of the industry. They study market-specific determinants such as profits, opportunities for entry and exit. These studies are broadly referred to as firm level analysis.

Macro level deals with the study of national economy. This aggregates the arguments at micro and meso levels focusing on external factors like technology, economic and cultural variables as well as the government regulations. These studies are broadly referred to as regional or national level analysis. In the regional level analysis, new enterprises can be studied and measured either as the rate of new firm formation or the expansion of some industries leading to a change in the sectoral composition. Outcomes measure aggregate regional income and other economic indicators.

As entrepreneurship simultaneously impacts on different societal strata, analysis is required at several levels [40].

In a vast country like India differing in the availability of resources and entrepreneurial capabilities, there is a great need for regional studies on industrial entrepreneurship. The marked differences among regions with respect to economic history, political consciousness, socio-cultural heritage make a region-wise approach a necessity. This helps in identifying the potentialities and problems of particular regions in formulating suitable policies to develop them [41].

The level at which the principal research questions are posed and analysis carried out rather than the level at which data are collected determines the strength of analysis. Entrepreneurship studies need to follow an integrated approach and should focus on the process-orientation.

1.5 Scope of the Study

This study is conducted in the state of Rajasthan. Even though Rajasthanis has excelled in business and established many businesses outside the state, the present study is based on data collected only from the enterprises confined to Rajasthan. Enterprise in this case refers to all those units, which are registered and involved in manufacturing. All forms of business other than manufacturing are excluded from the study. This study for three years (2002-2005) analyzes the attitude of the general public of the state towards entrepreneurship as a career option.

1.6 Organization of the Thesis

The entire research is presented in seven chapters.

Chapter 2 deals with the research methodology. This chapter starts with explaining what entrepreneurship is all about and then proceeds towards providing a summary of different schools of thought helpful in describing the term 'entrepreneurship'. Various entrepreneurship studies carried out in India have been discussed in some detail. The research methodology adopted for the current study has been explained elaborately. It

includes a description of the research design, data collection method, target population, sampling frame, sampling issues, statistical tools used, etc.

Chapter 3 concentrates on the entrepreneurs of Rajasthan. It specifically deals with portraying the socio-economic profile of the entrepreneurs. The entrepreneurs' motivations for starting a venture are analyzed in detail. Various problems faced by entrepreneurs in Rajasthan are also discussed.

Chapter 4 presents a bird's eye view of the attitude of people of Rajasthan towards entrepreneurship as a career option. A detailed analysis has been carried out in terms of the perception of the general public in regard to understanding of 'industrial entrepreneurship', their views about entrepreneurship, their intention to start a business venture in future and, so on.

Chapter 5 is a compilation of the profiles of various organizations involved in promoting entrepreneurship in India. It deals with the institutional infrastructure available in India, particularly in Rajasthan, that has facilitated the establishment and growth of entrepreneurship. Institutional infrastructure is broadly classified into government programmes and policies (with a sub-classification of central government and state government), private programme and facilities, education system and financial assistance. Organizations belonging to these categories have been identified and the roles played by them are summarized.

Chapter 6 projects the future of entrepreneurship in Rajasthan. Based on the secondary data, projections are made in terms of employment generation, number of firms and fixed investment.

Chapter 7 summarizes the findings and draws conclusions of the present study. It also suggests the scope of work that can be carried out in future.

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