CHAPTER-I
INTRODUCTION

Introduction:

For a better understanding of the services rendered in the field of entrepreneurial development, a brief introduction of Entrepreneurship is required. Therefore, this chapter aims to provide an insight of the factors that call for such assistance. This chapter contain some important theories evolved by authorities on this subject, its growth and hence the problems faced. Such hurdles have necessitated institutional support.

This chapter is divided into two sections. First section deals with introduction of entrepreneurship development, second section deals with introduction of small-scale industries.

Section – I

In this chapter firstly we have discussed about “Development”. The word “Development” has been defined by various experts.

Mahatma Gandhi said, “Development” means the development of man in his entirely, making him aware of himself as part of the development of man of man in his entirely, making him aware of himself as part of the development process, raising the standard of his living and giving him freedom not only from foreign, but also from economic indebtedness and intellectual severally. It is the process of a growth of man gaining self-confidence and becoming self reliant and self-sufficient.¹

According to professor Pathak of the Delhi school of economics, ‘Development’ signified all aspects of development that were of collective nature, that is to say pertaining to the society as a whole. In narrow sense, it has been used either with reference to the human welfare distribution wealth or in connection with structural transformation of the society of mobility.

In the economic sphere of the society the farmer, trader, industrialist, engineer, doctor, etc. are all entrepreneurs. What is common between them is urging to exercise power over being and things. Once this urge to control or
posses becomes sublimated, it allows the person to grow into what he ultimately is. Hence, in this sense, an entrepreneur is one who identifies purchase and sales opportunities and exercising his ingenuity uses such opportunity to this economic gain.

The term entrepreneur and concept of entrepreneurship has many faces and is used in various contexts. Concept of entrepreneurship and its theories have been evolved from over more than two centuries ago. However, all definition of an entrepreneur is only in terms of his function. An entrepreneur is one who assumes uncertainty and risk, he innovates, creates a new demand etc. so no consensus has emerged to date on what skill and abilities an entrepreneur should possess or how an entrepreneurial class can be developed in society etc.

The entrepreneur and his unique risk bearing function were first identified in the early 18th century Richard Cotillion who also coined the term. The entrepreneur buys factors services at certain prices and sells his product at uncertain prices, thereby bearing a no insurable risk. Thus the entrepreneur was defined by a unique constitute function, the bearing of non insurable risk. A few decades later a French economist J.B. stated, “The entrepreneur shifts economic resources out of an area of lower into an area of higher productivity and greater yield”

This definition emphasized the bringing together of the factors of production and the provision of continuing management as well as risk bearing. Whereas Adam Smith treated him as a mere provider of capital, but not applying and leading role.

1.1 ENTREPRENEUR: Concept and Preface:

An entrepreneur is one of the important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business or an enterprise. In fact, he is one who has the initiative, skill for innovation and looks for the high achievements. He is a catalytic agent of change and works for the good of people.
The present chapter is therefore, designed to address the two major issues, i.e. what is an entrepreneurship and what role does the entrepreneurship play in economic development.

The term “Entrepreneur” is derived from the French verb ‘enterprendre’. It means “to undertake”. In the early 16th century, the Frenchmen who organized and led military expeditions were referred to as “Entrepreneurs”\(^3\) Around 1700 A.D., the term were used for architects and contractors of public work. Oxford English dictionary (in 1897) also defined entrepreneur as “get up” entertainment especially musical performance.

In the study of economic development the concept of entrepreneurship first appeared in the 18th century. Since then, economist, psychologists, sociologist, social psychologists, anthropologists & historians have been attempting to analyze entrepreneurship, but no consensus has so far emerged. The concept still remains controversial and vague.\(^4\)

Scholars have varying options regarding what qualities and abilities the person should posses to become an entrepreneur, what are the main functions, what role he plays in economic development, how an entrepreneurial class can be developed and so on.

Academicians have provided a plethora of definition of the term entrepreneur which bring about the different aspects of the economic function and reflect the state of business enterprise of the time in which each of these was formulated. Some thought that entrepreneurs are primarily the innovators, others thought of them as bearers of risk and other again placed major emphasis on their function as mobilize and allocators of capital. These functions can be grouped into following broad categories:

**A) Classical view**

**B) Neo-classical view**

**C) Modern view**

**A) Classical view:**

The term entrepreneur was first coined by Cantillon a French banker, in the mid of the 18th century. He defined an entrepreneur as the agent
who buys means production at certain prices in order to combine them into a product which he is going to sell at price that is uncertain. Cantillon’s view was criticized on the ground that he emphasized much on the element or risk and uncertainty and did not include others aspects of entrepreneurship in his perception.

Frank Knight defined entrepreneurship on similar lines. He described entrepreneur as a person who takes decision under the condition of ‘risk’ and ‘uncertainty’. He meets to those risks which cannot be calculated. Knight made a distinction between an ordinary risk and uncertainty. A risk which can be covered through insurance is an ordinary risk. On the other hand uncertainty is the risk which can neither be evaluated, nor insured.

In the words of Prof. Knight, entrepreneur is not the economic functionary who undertakes such responsibility as by its very nature cannot be insured nor capitalized, nor salaried, also did guarantee specify sums to others in return for assignments made to them.5

For Adam Smith, an entrepreneur is the undertaker, the master or the merchant. To Smith, he accumulates capital and acquires land, and then hires labor to work on hand. By initiating this round about process of production he takes risk. Here we get into the difficulty to distinguish the entrepreneur from the affluent capitalist or the efficient manager.

J.B.’s definitions associate the entrepreneur with the function of co-ordination, organization and supervision. According to him an entrepreneur is the most important agent of production who provides a continuing management and brings together the factors of production. He further adds that an entrepreneur must have judgment, perseverance and knowledge of world as well as that of business.

From the above definition it is obvious that classical economist uses the term entrepreneur while formulating economic theories but described his function by proxy and did not make the fundamental distinction between entrepreneurship and management.
B) Neo-classical views:

During this period distinction between entrepreneur and capitalist were made clearly. Walras defined entrepreneur as an agent who buys raw materials from other entrepreneurs. An analysis of his viewpoint reveals that he recognized entrepreneur as an organizer who combines all the factors of production, but he ignored one think i.e. risk bearing and working in uncertain atmosphere.

According to Alfried Marshall “entrepreneur” is an individual who takes ‘adventures’ or ‘undertakes’ risk, who brings together the capital and the labour required for the works, who arranges its general plan and who superintends it’s minor detail.\footnote{All the economists right from Cantilon to Marshall visualized entrepreneurship in the context of stationary situation.}

Schumpeters definition of Entrepreneurs:

The first major work on entrepreneurship came from Joseph A. Schumpeter in 1911. He is attributed to the entrepreneur, critical role in economic expansion. He put the human agent at the center of the process of economic development and regarded entrepreneur as one who, throws the combination of new means of production.

i. Introduction of new goods: i.e. one with which consumers are not yet familiar or a new quality of a good.

ii. Introduction of new method of production: i.e. one not yet tested by the experience in the branch of manufacture concerned, which need by no means to be found upon a discovery scientifically new & can also exist in a new way of handling a commodity commercially.

iii. The opening of new market i.e. market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

iv. The conquest of new sources of supply of material or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.
v. The carrying out of the new organization of any industry, like the creation of a monopoly position, [e.g. through trustification] or the breaking up of a monopoly position.\(^7\)

To elaborate on what Schumpeter said, a new Chinese restaurant opened in the city suburb surely is a new venture, but not entrepreneurship. All that they do is gamble on the increasing popularity of eating out, and of Chinese cuisine. They neither create a new satisfaction nor new consumer demand. On the other hand, an existing restaurant could itself be entrepreneurial, by offering same products by using different inputs, or a new list of items is thereby created in a new market.

Thus according to Schumpeter, a person who foresees the opportunity and tries to exploit it by introducing a new product, new method of production, of a new market, a new source of raw material or a new combination of factors of production. He need not be a capitalist, not manager. In Schumpeter words entrepreneurship is leadership rather than an ownership.

Schumpeter makes a distinction between invention and innovation. He says that inventions and discoveries by themselves have little economic effects. They could yield fruitful results only when someone with special talent foresees their economic potentiality and bring them into implementation. An inventor thus produces the ideas and the entrepreneur implements them in the production process.

Schumpeter’s concept of entrepreneurship carries broad as well as narrow meanings. It is broad in the sense that entrepreneurs are not only those ‘independent’ businessmen, but all those who are dependent employees in a company, like managers, directors and others as they may also bring about changes in the production function and carry out new combinations. On the other hand, it is narrow so far as it does not include all needs of firms of management or all industrialist and employees who operate an established business. It refers only to those who actually perform innovative function. In Schumpeter’s system, entrepreneurship being a creative activity is not
generally found in the ordinary course of business. It is essentially a phenomenon that comes under the wider aspects of leadership.

Economist criticized Schumpeter on the ground that entrepreneurship can cause complete transformation of the economy but practically, this can be applied only to the developed countries and very big industries where the entrepreneurs are of very high level and are ready to undertake the major process of development in an efficient manner.

In brief, developing countries cannot afford the ‘Schumpeterian entrepreneurs’ whose scale of such countries cannot start their ventures on a big scale from very beginning. Developing countries, therefore need a large number of ‘imitating entrepreneurs’ who can successfully import the innovation made in developed countries and implement them economically in their enterprise after making necessary adjustment therein.

C) Modern view:

The various definition of entrepreneur in past came from the academician of developed nation and at a time the problems of Third world had not received so much attention. These definitions were formulating keeping in view the entrepreneurs of developed countries whose scale of operation was large and who were accepted to perform only limited entrepreneurial task. The theoreticians took a very restricted view of entrepreneurial function and thought that those would not change for time & scale of operation.

Modern Scholars have adopted a practical approach in understanding the concept of entrepreneurship. They have taken into consideration the existing condition of developing countries. The entrepreneur in developing countries often face problem like imperfect markets and shortage of skilled labor and capital, etc. The entrepreneurs of such countries cannot afford to have large scale operations at the inception level, nor can they restrict themselves to any one or two of the entrepreneurial tasks instead. The entrepreneurial tasks instead. The entrepreneurs of developing countries have to perform multiple functioning to run enterprise successfully.
Peter Kilby Hunting the Hefalump:
Kilby says “The search for the source of dynamic entrepreneurial performance has much in common with hunting the Heffalump hunted by many individuals using various ingenious trapping devices, but no one so far had success in capturing him.”

Definition of entrepreneurs have at one time or the other been associated with the typical function

\begin{itemize}
\item A) Uncertainty bearing
\item B) Co-ordination of productive resources
\item C) Introduction of innovations
\item D) Provision of capital
\end{itemize}

Widening their functions to a more appropriate degree of articulation, Peter Kilby envisages “13 roles or specific kind of activities that the entrepreneur himself might have to perform for the successful operation of his enterprise”.

\begin{itemize}
\item i. Perception of market opportunities (novel of imitative)
\item ii. Gaining command over scarce resources.
\item iii. Purchasing inputs.
\item iv. Marketing of the products and responding to competition.
\item v. Dealing with public bureaucracy. (Concession, licenses, taxes)
\item vi. Management of human relation within the firms.
\item vii. Management customer and supplier.
\item viii. Financial Management.
\item ix. Production management [control by written records, supervision, co-coordinating inputs flow with orders, maintenance.]
\item x. Acquiring and overseeing assembly of the factor.
\item xi. Industrial engineering [minimizing inputs with a given production process.]
\item xii. Upgrading process and product quality.
\item xiii. Introduction of new production techniques and products.
\end{itemize}
Under the strict assumption of the economists’ model, the entrepreneur himself (or the entrepreneurial teams in the case of a large corporation.) will only perform activities 1 and 2; the skill for the remaining will be purchased in the market place. The extent to which the entrepreneur can actually parcel out activities to competent lieutenants depends upon the following four factors-

i. The scale of production: - The large the enterprise the more scope there is for utilizing specialized executive personnel, in so far as factors 2-4 permit.

ii. The large degree of development of the high level manpower market.

iii. Social factors governing the amount of responsibility with which hired personal will perform.

iv. The entrepreneur’s comparative efficiency in utilizing high cost managerial employees.

There is a greater degree of entrepreneurial task in more advance and socially disciplined economics. In developing countries, entrepreneurial performance is satisfactory in technology and production management. Kilby identifies this area as the major bottlenecks to indigenous industrial development.

David McClelland’s ‘Needs for Achievement’ Theory:

Psychologist D. McClelland in his study found certain behavioral traits in human which were responsible for their performance in various areas of line one of the motives for such traits was called “The need for achievement” a desire to do well, not so much for the sake of social cognition or prestige, but for the sake of an inner feeling of personal accomplishment.⁹

In his study he found that entrepreneurial behavior is exhibited by people who are high in need for achievement in:

- Their desire to take personal responsibility for decision.
- Their preferences for decision involving a moderate degree of risk.
- their interest in concrete knowledge of the result of decision.¹⁰
McClelland’s study shows that this need for achievement fits people for entrepreneurial jobs—i.e. jobs giving concrete knowledge of results. He describes the inculcation of the achievement motive to child rearing practices which stress standards of excellence, maternal warmth, self reliance training and low father dominance.

**Drucker’s view on Entrepreneurs:**

Drucker defined the entrepreneurs as one who “always searches for change responds to it and exploits it as an opportunity.”  

According to him, successful entrepreneurs aim high. They don’t just improve or modify what exists, they create new & different satisfaction, new and different values etc. Therefore, entrepreneurs innovate, “systematic innovation therefore consists in the purposeful and organized search for changes and in the systematic analysis of the opportunities such changes might offer economic and social innovation”.

**Walker’s view on Entrepreneurs:**

According to Francis A. Walker, the true entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various other factors of production. He should be a pioneer, a captain of industry. The supply of such entrepreneurship is however quite limited and enterprise in general consists of several grades of organizational skill and capability.

**1.2 New concept of Entrepreneur:**

The term “entrepreneur” has been defined as one who detects and evaluates a new situation in his environment and directs the making of such adjustment in the economic systems as he deems necessary. He conceives of an industrial enterprise for the purpose.

**1.3 Entrepreneurial skill:**

Skill to deal with different challenging situations is an essential characteristic of efficient entrepreneur. The entrepreneur is rarely a master of all management skills and yet is responsible for all aspects of business. Many
a times he has to be the general manger, production manager, etc .all rolled in one. Following are essential qualities that go for making a good entrepreneur.

- He must be energetic and hard working resourceful.
- He must be an enterprising person.
- He must be able adjust with the changing condition.
- He must be alert to exploit new opportunities.
- He must assume risks.
- He must be interested in advancing technology in respect of quality, product or service.
- He must be interested expanding the scale of operations.
- He must be able to visualize and make changes.
- He must work for the good of the society.

1.4 **Classification of Entrepreneurs:**

Entrepreneurs can broadly be divided into –

1) **Innovating entrepreneurs:**

Such entrepreneurs are those who see the opportunity for introducing a new technique of production process a new commodity or a new market.

Schumpeter’s entrepreneur was of this kind. Such entrepreneurs of innovative ability are found in developed nations. They work only when a certain level of development is already achieved and people look forward to change and progress where as in developing countries there is hardly any industrial tradition as yet.

2) **Adoptive/ imitating entrepreneurs:**

Imitating entrepreneurship is characterized by readiness to adopt successful innovation practiced by other entrepreneurs. They simply follow the revolutionary entrepreneurs and adopt there techniques and technology. Developing countries have in abundance such imitator entrepreneurs though the need of the ours is innovator who can transform the system with the limited resource their economies possession.
3) **Individual and Institutionalized Entrepreneurs:**

Besides the individual entrepreneurs, there is also the institutionalized entrepreneur. For as the business grows it will have to acquire new abilities which can be exercised only through a large and complex managerial organization like the corporate body. Today the corporate sector has come to stay as the representative of the institutionalized sector.

4) **Entrepreneurs by Inheritance:**

Inheritance of family business is the most common reason for accepting business as a profession, particularly in our country, but with the declining trends of the Joint Hindu Family, more and more of the youth are turning to business and self-employment.

5) **Technologist Entrepreneurs:**

With the increasing number of scientific technical educational institutions, people of this area are entering into business.

In spite of technology being their main assets, some of the fail in their endeavor due to lack of knowledge of financial, legal, accounting etc. matters. However, this class should be given prime importance for development so that they can prove extremely useful to our industries.

6) **Forced Entrepreneurs:**

Indigenous money lenders who are thrown out of their business by government legislation, Indians returned from abroad etc. who set up business fail under this class. This category comprises of misfits or reject from the other professions or the Ideal which who merely look for an investment opportunity. These people account for the maximum number of failure of entrepreneurs.

1.5 **Entrepreneurship:**

The concept of ‘entrepreneurship’ is an age-old phenomenon that relates to the vision of an entrepreneur as well as its implementation by him. Entrepreneurship is one of the most important inputs in the economic development of a country or a state. Entrepreneurship is the best way to fight the evil of unemployment. They create jobs for themselves but also provide
employment opportunities to others. Entrepreneurship for social and economic development of the state and country. In fact entrepreneurship is the dynamic need of the developing nation.

Entrepreneurship means change. It is creative and innovative response to the environment. Entrepreneurship is a composite skill that is a mixture of many qualities and traits such as imagination, risk taking, ability to harness factors of production i.e. land, labor, technology and various intangible factors. J.A. Timmoans gives the definition as “Entrepreneurship is the ability to create and build something from practically nothing.” Entrepreneurship culture are implies a set of values, norms and traits that are conductive to the growth of entrepreneurship. In India a large number of people are seeking entrepreneurship as a career option. Increasing number of educated youth is getting attracted towards entrepreneurship and is setting up their business ventures. According to Schumpeter ‘Entrepreneurship is creative activity’

According to Robert Ronstadt ‘It is dynamic process of creating incremental wealth. This wealth is created by individual who assumes the major risk in term of equity, times and career commitment of providing value for some product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skill and resources. Entrepreneurship is a creative human activity involving the mobilization of resources from one level of productive use to a higher level of use. It is the process by which the individual pursue opportunities without regard to resources currently controlled. Entrepreneurship involves a willingness to take responsibility and ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is sensing opportunities, while others see chaos, contradiction and confusion. Essence of entrepreneurship is going against time with maturity and serving as a change agent. During the last three decades, the concept of entrepreneurship has assumed prime Importance both
in the research and in action for accelerating economic growth in the developing countries.\textsuperscript{16}

In India, social and cultural issues hold their importance besides issues related to infrastructure. Any innovation to succeed in our society needs to be accepted by over value system and cultural issues. It will not be wrong to that dot.com will not succeed until and unless a high level of awareness is achieved and the idea is taken to the common people. An acceptance by the mass in itself is a kind of social innovation. Further, in our country, where the population is more concerned about making both ends meet, entrepreneurial activity will achieve sustainability only when support is provided both at the societal and governmental levels.

In present day condition, entrepreneurship is the purposeful activity of an individual or a group of associated person initiating, promoting and maintaining business activity for the production of wealth and distribution of goods and services with a pecuniary motive or such benefits in the given and social and political conditions. The rate of economic progress of a nation depends upon its rate of innovation which in turn depends upon the distribution of entrepreneurial talent in the population. Technical progress alone cannot lead to economic development, unless technological breakthrough is put through economic use by entrepreneur.\textsuperscript{17} It is the entrepreneur who organizes and puts to use capital, labor and technology.

\textbf{1.6 Entrepreneurship Development:}

‘Entrepreneurship Development’ is the key to economic development of a country. By setting up a new enterprise the entrepreneurs not only generates self employment but also, provides number of employment opportunities to others. Vigorous effort on the part of the government for decades in making the scarce inputs including raw material, finance technical and managerial personnel available have failed to make the desire impact on economic development of the country. As a result, development of a entrepreneurs which means inculcating entrepreneurial traits in persons, imparting requisite knowledge, developing the technical managerial, financial
and marketing skill and building the entrepreneurial attitudes has gained prime importance in recent years. With the advancement of information technology and the phenomena of global village gathering momentum especially in view of WTO, it has become essential that entrepreneurial skill be developed and people are motivated towards self-employment and self-reliance.  

India can generate additional economic growth by fostering entrepreneurial activities within the country, particularly within middle class people. Not only has entrepreneurship been found to yield significant economic benefits in a wide variety of nation but India specifically has reached a point in its development where it can achieve similar result through entrepreneurial efforts. Among other things, India is poised to generate new business startups in the high technology area that can help it become a major competitor in the world economy. It has a strong education and training base suited to entrepreneurial activities, increased inflow of foreign capital aimed at its growing information technology services sector, and a host of successful new business startups. To pursue further the entrepreneurial approach to economic growth. India must now provide opportunities for:

- Education directed specifically as developing entrepreneurial skills,
- Financing of entrepreneurial efforts and
- Networking among potential entrepreneurs and their experienced counterparts.

However, its role overall must be minimized so that the influence of the free market and individual self interest can be fully realized. Only time will tell if increased entrepreneurial activities in India will actually yield the economic benefits found is so many other nation of the world. Should India decide to pursue that avenue of economic development, then future research needs to examine the results of India’s entrepreneurial programs.

1.7 Factors affecting growth of Entrepreneurship:

The factors that contributes to the growth of entrepreneurship are varied and numerous. These influencing factors depend upon a social and
cultural variables, political affiliation climates, individual capacities and personal skill.

i) Socio-Demographic Factors:

An entrepreneur’s ability lies in mobilizing capital for investment. Perhaps one would assume that families having ancestral property and sound financial resources would provide the situational context for the growth of entrepreneurs. However, studied have shown that it is not only moneyed people who started business. In fact, the desire to make money played the most important part in starting an industrial enterprise. Hence, at the lower economic level, assets in the form of Jewellery, land and building owned by the entrepreneur have formed his capital.

Past studies in India have shown that technical qualification and family background played a greater role in influencing entrepreneurship. Also there are certain communities well known for their enterprising qualities. The Joint Hindu Family has promoted entrepreneurship by providing the right environment. We have often heard of sons of successful gland following the footsteps of their fathers. For ex. - Jamsetji Tata, Jamnalal Bajaj, Laxmanrao Kirosker, Ghanshyamdas Birla are some of the entrepreneurs emerged on the same lines.

ii) Economic Factors:-

A central property, prior income, initial investment, profit utilization and level of living constitute the economic variable. Business requiring high initial investment may be affordable only by affluent families who have a sound economic background either in the forms of ancestral property, or a prior income etc. In such cases the need to plough back profits may be less intensive, there by affecting further growth of a business.

iii) Institutional support:-

Entrepreneurs, particularly in the small scale sector face a number of problems in the daily conduct of their business. They cannot always compete with the large organized units in procurement of raw materials, capital and finance modernization, sales, technical perfection, patronage by government
etc. whereas, big business enjoy all the benefits that go with size. Hence, it is for the state to take up promotion of this sector of the industry. Assistance can be in the forms of finance, credit on easier terms, advice on modern methods of production, methods on management, marketing assistance, research grants etc.

Realizing this need, most countries have offered to the small scale sector export intensives, location facilities, tax concession. Educational and training facilities, easy credits, etc. for the entrepreneurs, while the government carried out these measures through its various other institution, the area for the assistance became too wide. This called for a better organization, co-ordination of these facilities and channelizing them through proper means. Hence, semi-Government, financial institution has been set up for this purpose. Thus the concept of development Banks came into being. The sole aim of these banks was to set up industrial growth. Among other thing this aim is to be achieved by promoting small entrepreneurs.

1.8 Role of Entrepreneurship in National and State level Development:

The entrepreneurship is used in each and every dimension of life whether it is family, business, government social group or enterprise. It plays a significant role in multi-dimensions and multi-facets development of the state and country to face the problem of unemployment. It’s reduces the dependence of the people from the government. The central and state governments have introduced numbers of schemes and project to promote entrepreneurship in various sectors of development. It is said that the development of an individual, family, organization, community, village, district, state, and nation cannot be though without entrepreneurship. Therefore, the entrepreneurship is considered to be one of the significant dimensions of development. The government is putting lot of efforts and money to develop entrepreneurs who can contribute for social, economic, psychological, and political and environment development. Entrepreneurship contributes in multiple ways.
1.9 The role of Entrepreneurship in Economic Development:

How is entrepreneurship good for economic growth? This question would seem to have a simple answer; Entrepreneurs create new businesses, and new businesses in turn create jobs; intensify competition, and may even increase productivity through technological change. High measured levels of entrepreneurship will thus translate directly into high level of economic growth. However, the reality is more complicated. If, by “entrepreneurship”, one allows inclusion of any type of informal self-employment, then high level of entrepreneurship may actually means either that there are substantial bureaucratic barriers to formally creating a new business, or simply that the economy is creating too conventional few wage-earning job opportunities. Under these circumstances, we might reasonably hypothesize that high level of ‘entrepreneurship’ would correlated with slow economic growth and legging development.20

While it is easy to see that starting a new business to exploit a perceived business opportunity would lead to economic development, it is also possible that necessity entrepreneurship may not lead to economic development. Being pushed into entrepreneurship (self employment) business all other options for work are either absent or unsatisfactory, can even lead to under development. While all countries have some level of both opportunity and necessity entrepreneurship we suggest that the ratio of opportunity-to-necessity entrepreneurship should be a useful indicator of an economic development, and can be guide for development policy. In fact we find a positive relationship between the opportunity ratio and GDP per capita. We then suggest that policies in less developed countries should focus on strengthening General National Framework condition and in develop economic policy should focus on strengthening the GEM program. The third section examines the relationship between economic development and globalization. Sections four examine the differential impacts of necessity and opportunity entrepreneurship on development while the conclusions are in the final section.
Developing economists distinguish three major stages of development. In the first step, the economy specialized in the production of agricultural products and small-scale manufacturing. In the second stage, the economy shifts from small scale production towards manufacturing. In the third stage, with increasing wealth the economy shifts away from manufacturing towards services. The first stage marked with high rates of non-agricultural self-employment. Sole proprietorship-i.e. the self-employed-probably account for most small manufacturing firms and services firms. Almost all economies experienced this stage.21

The second stage is marked by decreasing rates of self-employment. There are several reasons to except that entrepreneurial activity will decrease as economics become more developed. If we assume that individuals have different endowments of managerial ability, then as an economy becomes wealthier, the average firm size should increase as the better managers run the companies. Average firm size is an increasing function of the wealth of the economy, if capital and labor substitutes. When capital and labor are substitutes, an increase and capital stock increase the returns from working and decrease the returns from the managing.

In other words, marginal managers find they can earn more money while being employed by somebody. Others in this model of economic development increase in the capital stock either through private enterprise, direct foreign investment, or government ownership, will increase the returns to wage work relative to entrepreneurial activity. In this model the relationship between entrepreneurial activity & economic development would be negative. That is, as the economy became more developed we should find less people pursuing entrepreneurial activity.

The third stage is marked by an increase in entrepreneurial activity. For over a century there has been a trend in economic activity, exhibited in virtually every developed industrialized country, away from small firms and towards larger organizations. It was therefore particularly striking when a series of studied identified that this trend has not only ceased sometime during
the mid-1970s, and had actually begun to reverse itself. More recent studies have confirmed this result for most developing countries in the 1970 & 1980s. The empirical evidence clearly showed that the firm size distribution in developed countries began to shift away from larger corporations and towards entrepreneurial activity.

There are three reasons why entrepreneurial activity rises in the final stage of economic activity. First, the third stage is marked by decreases in the share of manufacturing in the economy. Virtually all of the industrialized market economies experienced a decline in the share of manufacturing in their economies in the last thirty years. The business service firms are smaller on average than manufacturing firms therefore, economy wide average firm size may decline. Moreover, service firms provide more opportunities for entrepreneurship.

This is clearly the case in the United States, as well as in several EU countries including Germany and Sweden.

Second, during the post war period technological changes has been biased towards industries in which entrepreneurial activity is important. Improvements in information technologies such as telecommunication may increase the returns to entrepreneurship. Express mail service, photocopying services, personal computers, the internet web services make it less expensive and less time consuming for geographically separate individuals to exchange information.\(^{22}\)

Third, Robert Lucas derived a model where higher development leads to higher average firms’ size because of a negative relationship between the electricity of factor substitution and firm size. However, recent Aquiline, Klump and Pietrobelli have come to a different conclusion. A high value of the elasticity of factor substitution does not only lead to more per capita capital, but makes it at the same time easier for an individual to become an entrepreneur if the aggregate elasticity of substitution is also negative. In an economy characterized by higher values of the aggregate elasticity of
substitution we should expect a higher level of development, more entrepreneurs and smaller firms.

Therefore, we would expect that economies in the early or middle stage of economic development, entrepreneurial activity would be negatively related to economic development, entrepreneurial activity would be negatively related to economic development since most people would be trying to move from self-employment to wages employment. In developed economies we would accept entrepreneurial activity to be positively related to economic development as people shift from wage work to entrepreneurial activity. This framework seems to imply that a U shaped relationship may in fact exit between entrepreneurial activity and economic development in the global economy. Countries like Uganda, Peru and Ecuador are all countries with much lower level of entrepreneurial activity. For example, Brazil and Argentina, appear to have higher level of per capita income and are moving towards lower level of entrepreneurial activity. The middle represents as a set of countries that appear to be transitioning from a middle income level to higher income level and some have rising levels of entrepreneurial activity, High-income countries, Germany, France, Belgium, Italy and France land have relatively low levels of entrepreneurial activity. Two countries stand out as outliers, Japan with one of the lowest levels of entrepreneurial activity, and the United States with one of the highest level of entrepreneurial activity.

To answer our question “How is entrepreneurship good for development?” we actually need to know what type of entrepreneurial activity countries are engaged in. We use the global Entrepreneurship Monitor (GEM) data to identify the type of activity in countries at different levels of development. The intent of GEM is to systematically assess two things: the level of start-up activity or the prevalence of nascent firms & the prevalence of new or young firms that have survival the start up phase. First, start-up activity is measured by the proportion of the adult population (18-64 years of age) in each country that is currently engaged in the process of creating a nascent business. Second the proportion of adults in each country who are
involved in operating a business that is less than 42 months old measured the presence of new firms. The distinction between nascent and new firm is made in order to determine the relationship of each to national economic growth. For both measures the research focus is an entrepreneurial activity in which the individual involved have a direct but not necessarily full, ownership interest in the business.

There is numerous ways to measure entrepreneurial activity. Not all entrepreneurial activity is including by the same motives. One important distinction is between opportunity-based entrepreneurial activity and necessity-based entrepreneurial activity. Opportunity entrepreneurship represents the voluntary nature of participation and necessity reflecting the individual’s perception that such actions presented the best option, available for employment but not necessarily the preferred option. Opportunity entrepreneurship differs from necessity by sector of industry and with respect to growth aspirations. Opportunity entrepreneurs except their ventures to produced more high growth firms and provide more new jobs.

1.10 Entrepreneurs and Employment Generation:

Growing unemployment among educated person as an acute problem of the nation. The available employment opportunities can cater to only 5 to 10 percent of the unemployment. Wage employment is a self saturating when government creates, say a hundred jobs in various department, 100 person get employment and the vacancies are filled for thirty years or so, till these people retire& the vacancies re-emerge. If a hundred people become entrepreneurs they not only create a hundred jobs for themselves but also provide employment to many more. As the time passes these enterprises grow providing direct and indirect employment to many more. Thus, entrepreneurship is the best way to fight the evil of unemployment.

In the context of employment generation, the three terms i.e. Income Generation, self employment and Entrepreneurship are often used interchangeably. Entrepreneurship refers up of a new enterprise. Whereas, self employment refers to full time involvement in one’s own occupation. One
may or may not be bearing the risk, mobilizing inputs, organizing production& marketing the product or service. Income generating activities, on the other hand, are part time, and practiced with a view of raising additional income. All entrepreneurs are self-employed and income generating person. But all entrepreneurs are self-employed and income generating persons but all self employed and income generating persons may not be entrepreneurs. 24

1.11 Entrepreneurship Development in Maharashtra:

There are plenty of small scale entrepreneurs in Maharashtra. But there are few people who have entered medium and large scale sectors. This has resulted in a temporary imbalance in the industrial structure. Over the last few decades, small entrepreneurs have emerged as leaders in industrial sector. The pattern and features of entrepreneurship of Maharashtra have lesson for the development of other regions so is of interest of study the entrepreneurial in Maharashtra and the factors, which have contributed, to their success. There are many factors, which generally affect the growth, and functioning of entrepreneurship. These may include previous occupation, family background, caste, origin, education technical knowhow, financial position, government help, personality, traits of entrepreneurs etc. These factors not only go to make good or bad entrepreneurs but ultimately affect the process of production and industrial development. Thus in order to promote industrialization it becomes necessary to develop those factors or create those conditions, which help promote entrepreneurship and then industrialization. It is with these objectives in mind that this study has been undertaken.

It is true a large extent that whatever state has been able to achieve is mainly due to the efforts of the entrepreneurs. They also played a more significant role is creating balance for economic and social development in the country. Promotion of SSI has been one of the main strategies for economic development since 1950’s. The development of small scale industries as a focus point of industrial development is evident and since
industrialization has become a necessity because civilization depends upon
industrialization.

Entrepreneurs play a significant role in the economic development of a
country. Therefore entrepreneurship development has now becomes vital and
essential to the economic stability of the developing countries like India,
where the problem of unemployment of the educated youths has been pausing
a very severe and complex situation. An entrepreneur is a person who is
able to express and the urge, skill, motivation and innovative ability to
establish a business or industry of his own, either along or industry of his
own, either alone or in collaboration with his friends. His motive is to earn
profit through the production or distribution of goods or services.
Adventurisms, willingness to face risk, innovative and creative power are the
inborn qualities of entrepreneurship. The main concern of an entrepreneur are
making dynamic changes in the production process, introducing innovations
and finding out new uses for raw materials. Entrepreneurship is a mental
attitude to undertake expected risk during the Endeavour to realize objectives.
Entrepreneurship can also be explained as a process of executing a work in a
new and better way.

1.12 Entrepreneurship-Before and After Independence:

In ancient times, India was said to be the ‘golden bird’ while every
dominant country had an eye on this country. British Raj not only hindered
the growth of the country but exploited the India resources. This only reason
why industrialization did not come to India for a long period. It cannot
however be neglected that Britishers introduced Railway, Telephone,
telegraph system which has highly contributed in the development of our
economy.

Entrepreneurship was basically promoted by some of the well known
communities in India. It is said that business is in the flesh and blood of the
‘Gujarat’s and the ‘Marwari’s’. Entrepreneurship was highly contributed by
the Marwari’s, Parsis, chittiaras in south Moplahs across west coast, and the
Gujrathis such were supply of entrepreneurs to India economy. It was these
families who showed tremendous enthusiasm and leadership towards entrepreneurship.

The development of entrepreneurship gets stimulation after independence. The Government made various efforts for entrepreneurial development. In 1948 Govt. declared its first industrial policy which divided the industries into four broad categories. Mainly the government policies intended in providing financial and technical aid to fresh entrepreneurs. Various institutions were set up with the purpose of supplying machinery, finance, guidance of expertise from various fields and other physical facilities. Thereafter in 1956, 1977, 1980, 1991, 2001 government declared new policies for industries for its overall development.

There has been an accelerated pace of Industrial growth in the small sector since 1967 onwards. There was a deliberate attempt on the part of the Government to select suitable entrepreneurs, train them and help them in identifying suitable items of manufacture. The training of entrepreneurs aimed at imparting the necessary knowledge and skill to adopt small scale industries as procession. The government went a step further and evolved a package programmer to provide necessary inputs needed for starting industrial ventures. It was increasingly realized that industrial entrepreneurship does not generate its own and the government as a prime agency has to play a positive role in that connection. Deliberate attempt was therefore made to motivate entrepreneurs to take up industrial ventures as their career, remove disincentives and provide positive assistance; a recent development in industrial entrepreneurship is to provide encouragement and incentives to entrepreneurs in rural and backward areas. Towards that district industries centers (DIC) have been set up, which are responsible for providing all possible helps & assistance.

1.13 Need of Entrepreneurship in India:

In India, the overcrowded, rise of terrorism due to unemployment, due to politicians personal interest and therefore infective and tax governance and to top it all corporate scandals people are searching for hope and inspiration.
The need of the hour is dynamic entrepreneurship. The 21st century is witnessing entrepreneurial era. In India, the rate of literacy has been improving over the last few decades. The present generation youth is clamoring for employment and they are educated compared to the previous generation. India’s labor force is growing at a rate of 2.5 percent annually, but the employment is growing at 2.3 percent. Thus the country is faced with challenge of not only absorbing new entrants to the job market, which is estimated at seven million people every year but also clearing the backlog. If we have to attempt to address the issue of poverty with some measure of success we need more and more entrepreneurs. The paradox of the Indian youth facing obstacles in their quest for facing employment is reality. All of us need to develop opportunities to find decent and productive work for the youth allowing them to become independent and responsible global citizens. To tackle the problem of unemployment entrepreneurship should occupy the top slot of the agenda of the planning commissions, Economic workforce, student, policy makers, Academicians and entrepreneurship in small scale industries to meet the challenges passed by population growth and unemployment. The government has embarked on the development of entrepreneurship through the small scale industry, in order to achieve rapid economic development in most parts of the countries.
Section II

The second section of this chapter describes the small scale industries with global view.

The small-scale industry sector has emerged over five decades as a highly vibrant and dynamic sector of the Indian economy. Today, this sector accounts for about 95 percent of industrial units and is contributing about 40 percent of value addition in the manufacturing sector, nearly 80 percent of manufacturing employment and about 35 percent of exports (both direct and indirect). More than 34 lakh units are spread all over the country producing over 7503 items and providing employment to more than 192 lakh people.

1.14 Definition of small-Scale Industry in India:

In 1950 SIS was first to define in the basis of gross investment in fixed assets and work force. This criteria was drop from 1960’s. The original value of the plant and machinery has been sole criterion for defining SSI in India since 1960’s. Though the value has been revised periodically following are the current definition of SSI as per investment and category:

a) The current limit of gross investment in plant and machinery (Original Value) small-scale industries (like units engaged in mining, quarrying servicing and repairing of machinery) is Rs. 1 Crore. This limit was increased to Rs. 5 Crore in case of five sectors including garments, toys, hosiery, packaging material, audio components and tools.

b) The concept auxiliary unit was introduced in 1960’s. These industries were those that manufactured parts, components, tools or intermediaries or render services.

c) The concept of tiny unit was introduced in 1977. These units have an investment ceiling in plant and machinery up to Rs. 25 Lakhs irrespective of the location of unit.

d) Woman entrepreneur’s enterprise is termed as SSI unit / industry related services or business enterprise managed by one or more women entrepreneur
is proprietary concern or in which they can individually or jointly have a share capital of not less than 51% as partners / shareholders / directors.

e) Small-Scale services and business an enterprise has an investment up to Rs. 10 lakhs. This includes industry related services.

f) The concept of Export oriented unit was introduced in 1991. Export oriented units (EOU’s) have an obligation to export of less 30% of its total annual production by the end of third year of commencement of production and having an investment ceiling of Rs. 1Crore.

g) Modern SSIs are those, which use power driven machinery and possess superior production technique. These can be divided into the SME units and power units.

h) Traditional SSI’s comprises of ting and cottage industries segment like handloom, khadi and village industries, handicrafts, sericulture, silk and coir. These industries have been categorized under the government of India’s new SSI policy, 1991. These industries are mostly labour intensive with nominal value of investment in plant and machinery and are generally located in rural and semi-urban areas.

1.15 Different Segments of SSI:

- **Small-Scale Industrial Undertaking (SSI):**

  Following the Abid Hussain Committee (1997) Recommendation, the Government of India raised the ceiling on investment in plant and machinery for SSI and ancillary undertaking to Rs. 3 crore. This definition of SSI and ancillary undertaking has since been revised as per the government order dated 24 December 1999. According to the order the industrial undertaking in which the investment in plant and machinery, whether held on ownership terms or on lease / hire purchase basis does not exceed Rs. 1 crore is regarded as small-scale industrial undertakings.
• **Ancillary Industrial Undertaking (ANC):**

An Industrial undertaking which is engaged in or is proposed to be engaged in the manufacture or production of parts, components, subassemblies, tooling or intermediates or the rendering of services is termed as ancillary undertaking. The ancillary undertaking is required to supply not less than 50 percent of its production or services, as the case may be to one or more other industrial undertakings. The investment in plant and machinery, whether held on an ownership basis or on lease or on hire purchase, should not exceed Rs. 1 crore.

• **Tiny Enterprise:**

A unit is treated as tiny enterprise where the investment in plant and machinery does not exceed Rs. 25 lakh, irrespective of the location of the unit.

• **Women Entrepreneurs Enterprise:** A Women Entrepreneurs Enterprise is termed as an SSI unit / industry related service or business enterprise managed by one or more women entrepreneurs in proprietary concerns or in which she / they individually or jointly have a share capital of not less than 51 percent as partners/shareholders/directors of private limited company members of a co-operative society.

• **Small-scale Service and Business (Industry Related) Enterprise (SSSBE):**

An industry related service / business enterprise with investment up to Rs. 5 lakh in fixed assets, excluding land and building is treated as an SSSBE.

• **Export Oriented Unit (EOU)**

A unit with an obligation to export at least 30 percent of its annual production by the end of the third year of commencement of production and having an investment ceiling as prescribed for small-scale undertakings, i.e.
up to Rs. 1 crore in plant and machinery is termed as an export oriented SSI unit.

The definitional criteria of SSI are closely linked with the question of ownership, since SSI units cannot either be controlled or owned or be a subsidiary of any other industrial undertaking. This suggests that in the case of proprietary / partnership firms, the combined investment of all the units set up by the same proprietor / partners should not exceed the total investment limit fixed for an SSI unit. The equity investment by other companies in SSI should not exceed 24 percent of the total equity.

<table>
<thead>
<tr>
<th>Small-Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing Enterprises</strong> (Investment limit in Plant &amp; Machinery)</td>
</tr>
<tr>
<td>Rs. 25 lakh up to Rs. 5 Cr.</td>
</tr>
</tbody>
</table>

(Source: Annual Report FY15, Ministry of MSME)

**1.16 Classifications of SSI:**

This sector covers a wide spectrum with two clearly identifiable segments, i.e., modern small-scale industries, including tiny units and power looms and traditional Small Industry industries like Khadi and Village Industries, Handlooms, Handicrafts Sericulture and Coir industry. Both the segments have their own special characteristics in terms of capital / labour intensity, locational, orientation, manufacturing process and skill requirements. Following chart shows the classification of SSI-
According to the third SSI census 62.13 percent of the units were engaged in manufacturing/assembling/processing, 7.54 percent in repairs and maintenance and 30.33 percent in service activities. Of the total SSI units 97.8 percent were tiny units, 0.67 percent were export-oriented units.

1.17 Global view of SSI world:

The concept of small scale industries prevalent in some countries are;

1. **China**: In China the definitions of small industry is less quantified and vary with the product. These industries are designed to mobilize local raw materials local skills, local finance and local markets.
2. **Egypt, Israel and Turkey:** The United Nations Report 1958 on the development of the manufacturing industry in Egypt, Israel and Turkey refers to all manufacturing establishments employing less than 10 persons as small scale industries.

3. **Escap Region:** In Indonesia there is no differentiation between small scale enterprises and cottage enterprises. More than 90 per cent of the enterprises in the small scale and cottage industries. The world as a hybrid of traditional and modern industries. Small scale enterprises contributed 22.6 per cent of the business establishments. 32 per cent of the total employment, 29 per cent of the value added and 25 per cent of the gross output in Malaysia. In Thailand, a small industries enterprise is defined as an enterprise the fixed deposits of which do not exceed Baht 2 million (approximately Rs. 12 lakhs). Industrial enterprises are grouped under four categories namely. Manufacturing, servicing, handicraft and cottage industries.

4. **Germany, Sweden, Norway and Denmark:** There is no official definition of small industry. Units employing up to 300 workers are considered to be small. There is no clear cut definition of small industry in Scandinavian countries. However, such units as employ 10 to 100 workers are taken to be small-scale units.

5. **Iran:** Small industries are defined as follows: i) with 100 per cent Iranian ownership and management; ii) Whose assets do not exceed 5 million rivals; iii) whose employees per shift do not number more than 50; and iv) whose products are not artistic in nature. It has been further provided that investment in land and building must not exceed 25 per cent of the total capital.

6. **Italy:** Units having a capital investment of not more than 1500 million lire and employing not more than 500 workers are considered to be small industries.

7. **Japan:** By small industries is meant those relatively small in the scale of management of capital investment, although the basis for
classification varies according to the type of industry and cannot be generalized. The government applies the term to those industries which employ less than 300 million yen and in the commercial and professional services sector with a capital of less than 10 million yen ($26,000) employing less than 50 persons. The small enterprises include retail shops shopping districts, beauty salons, hair dressing establishments and laundry shops (basic law of 1963).

8. Korea: The term small and medium industry is defined in the small and medium industry co-operative act as any unit. (i) In Manufacturing with more than 5 and less than 200 employees or with total assets of less than 50 million won; (ii) In mining with more than 5 and less than 300 employees or with assets less than 50 million won (275 won =1 US dollar.)

9. Netherlands: There is no definition for small scale industry which generally employs 10 to 100 workers.

10. Philippines: The institute for small scale industries Philippines defines the small industry: “as a manufacturing or industrial service enterprise in which the manager is not actively engaged in production but perform a varied range of tasks involved in guidance and leadership without the help of specialized staff officer.”

11. Sudan: Small industries are defined in the Sudan as those industries which have a capital investment of less than La 50,000 ($142,000) or which employs less than 30 full time workers. Most of the industries in this category are workshops small oil mills, Perfumeries, ice factories, bakeries, tanneries etc.

12. Taiwan: In the manufacturing and processing sector (including handicrafts) any business employing less than 100 persons or with assets worth NT $5 million in a small industry.

13. Turkey: All industries employing less than 10 workers and having a connected load of less than 10 h. p. are considered small in Turkey.
14. U. K.: There is no demarcation small and large industry. However in book and treatises on industrial subjects. Units employing less than 500 workers are generally referred to as small units; but this cannot be considered as a criterion of universal applicability.

15. USA: In the USA the Manufacturing firm is officially a small business for government procurement purpose. If it is not dominant in its field of operations if it has fewer than 500 employees or if it is certified as small by the small business administration. For purpose than 250 employees depending on the size and the standard set for different industries.

16. Vietnam: A small industry is defined as one employing less than 300 persons and having not more than 20 million piastres ($250,000) in capital investment.


1.18 Importance of small scale Industries:

Small scale industry is classified as traditional and modern are broadly classified into five categories viz ‘khadi and village Industries’ ‘handloom’ ‘Handicrafts’ ‘coir’ and ‘sericulture’. Small scale industries (SSI) play a strategic role in the progress of the region. These industries largely represent a stage in economic transition from traditional to modern technology. Small scale industries occupy prominent position in the development of the country. This is because of their importance in enhancing the economic growth of a country. Small a scale industries play an important part in the productive activities of developed as well as developing countries. The proper development of SSI is vital for the healthy growth of our economy.

The primary object of developing small industries is to generate better employment opportunities, raise incomes and standard of living bring about the more balanced growth for integrated economy. It is a truth that small
industries are the engines of growth in any economy. They are the job providers and the technological innovators. The sector has a high potential for employment, dispersal of industries, promoting entrepreneurship and earning foreign exchanges to the country. Small is beautiful, efficient, innovative and creative where pursuit for progress is endless and growth is their way of life. Small industries contribute as much as 35% of India’s Export, 45% of industrial production, 65% of services, and 80% of employment generation.30

The importance of small scale industries is a global phenomenon encompassing both developing and developed countries. Normal MCR as predicts that the age of Mammoth Corporation was over and the future lay with small, dynamic, efficient production groups that could respond quickly to customers’ needs globally, the emphasis is on the small enterprises holding the key to growth with equity & proficiency.31 In India, small industry refers to manufacturing activities. Recently it has also come to include, to a limited extent servicing activities such as repair and maintenance shop and few community services, small firms seem to have an edge in industries that call for personalized service, attention to detail and the flexibility to adopt quickly to change in the business or technological environment. Small enterprises are almost always locally owned and controlled, and they can strengthen rather than destroy the extended family and other social system and cultural traditions that are perceived as valuable in their right as well as symbols of national identity.

Small scale industries do not require a high level of technology. These are generally labor intensive and do not require a large amount of capital. The energy of employed and under employed people may be used for productive purpose in an economy in which capital in scare. SSI projects can be undertaken in a short period & hence can increase production both in the short and long run. Most developing countries are rich in certain agricultural forest and mineral resources, small scale enterprises can be based on the processing of locally produced raw material. By creating opportunities for the small business small industrial enterprises can bring about a more equitable
distribution of income which is socially necessary and desirable. It helps to create economic stability in society by diffusing prosperity and by checking the expansion of monopolies. The development of SSI enterprises will create jobs in rural areas of the developing countries where unemployment and under employment area high. This will help in reducing the exodus of workers from the rural to the urban areas in search of jobs. A part from the linkages between agricultural of rural development and SSI there is an essential linkage between large scale and small scale enterprises in the sense that the former create opportunities or facilities for the growth of the latter. Due to all these importance, the development of small enterprises has been assigned a crucial role in India’s five year plan.

The significant growth of small scale industries in India over the last six decades is on account of the high priority accorded to this sector by the Central Government and Reserve Bank of India. The number of SSI unit increased from 8.74 lakh in 1981 to 34.64 lakh in 2002. The SSI units have made significant contribution in terms of output, employment and export earnings. The sector is important because it promotes growth with equity. Its rate of employment creation across the country is among the faster for any sector\(^{32}\).

1.19 Small Business Entrepreneur:

Entrepreneurship, being the prime driving force for economic in general and industrial development in particular has a great deal of potentiality of generating more and more job opportunities optimum utilization of available resource and brining prosperity to the nation\(^{33}\). The success of small scale industry solely depends upon ones doing the right thing at the right time. A small scale industrialist has to be well acquainted with the various rules and regulations governing the small scale industries and the procedures to be followed in order to acquire the necessary assistance and incentives offered by the government from time to time. A small entrepreneur is the Chief Executive of his unit, its floor supervisor, accounts Clerk, Purchase Manager, Salesman, Legal Advisor, Planner and Visionary into one.
The modern planner favored small scale industries because they would provide employment without much investment would help in the dispersal of industry to rural areas produce much needed consumer good and avoid concentration of economic power, de-humanization and pollution inherent in large scale industries. Industrial policy resolution of 1948, that small-scale industries were suited for better utilization of local resources and for the achievement of self sufficiency in respect of certain types of essential goods. Accordingly, the government of India has taken steps to encourage promotion, growth and development of entrepreneurs through small-scale industry. This is manifested in its policies and policy measures.

The term entrepreneurs is properly applied to those who incubate new ideas, start enterprises based on those ideas and provide added value to society from independent initiative. Individuals who earn their livelihood by starting a local store or independent - service business are called small business persons. The person who starts a fast food franchise chain is called an entrepreneur, but the local restaurant owner is a small business person. Entrepreneurs has vision for growth commitment to constructive. Change, persistent together necessary recourses energy to and achieve unusual result but the small businessman does not generally exhibit these characteristics.

Small business comprises a large majority of enterprises in India and although they are individually small, they accounts for a significant portion of GNP. Small business typically provides goods and services to local markets; however, there have been a growing number of small businesses involved in global trade. The environment of small business is described by local conditions; small businesses include merchandisers to which we turn for our daily purchases. It also includes practices and personal service enterprises of doctors, accountants, Tailors and many others to whom we turn for our personal needs.

There are also substantial number of small manufacturers, wholesalers and distributors who are small by choice. They have probably opportunities to expand into new markets or to develop into large. Organization, but they
prefer the autonomy of a small business and avoid rapid expansion. In this age of global communications small business may no longer be severely restricted to local endeavors. International trade, export brokerage of product and instantaneous communications are opening new avenues for small businesses. A large number of small businesses are being involved in exporting. 

1.20 Need for promotion of Entrepreneurship and Small Business: 

A business when managed by an entrepreneur can bring economic prosperity to the country. General well being and social, economic and political stability are the necessary conditions for entrepreneurship business. For the purpose of creating new enterprises and promoting economic development of the country, there are several persons who can make positive contribution. Those of the persons who possess enterprise from a part of such a group of person. Every country, therefore, needs such enterprising technical people, who can foster the process of economic development.

A person who possesses initiative and shows leadership a quality in the promotion process is known as a promoter. The process of promotion starts when such person gets positive ideas of starting a venture and it ends when the enterprise actually comes into existence and starts functioning successfully. Promotion of small business begins when an entrepreneur conceives ideas of starting a new business enterprise. Such a promoter must have certain definite background. He must be technically well versed and should possess perfect knowledge about such as enterprise. If a person is suitably qualified in respect of running the business and implementing his ideas, the chances of his success are certainly enhanced. In some cases, a person may acquire knowledge by working in such areas and become a successful entrepreneur. He must possess full knowledge about the product and government policies regarding small scale industrial units. It means he must know the products which have been kept aside by the government for small scale industrial units. A person with necessary background, eagerness initiative of starting a small scale industrial unit can surely succeed in establishing such a unit.
In the context of the liberalization and globalization of the economy, the competitive strength of the small scale industries will need to be enhanced through suitable policy measures by which the units can be made operational and more efficient. In order to formulate sustainable policy frameworks, operational strategies and action plans for this purpose, there is a need for getting relevant data as also surveys, studies, and investigations including producers and customers' feedback on the problem areas of units in the small scale, village, khadi, and coir sectors. Such data collection, surveys, studies, investigations, etc., would be undertaken under the above scheme and will include the following:

i. Action oriented research studies relating to problems and prospects of industrial units in the small scale, khadi village and coir sectors, in order to improve the viability of this industrial unit to enable them to withstand competition.39

ii. Policy oriented research studies to assess the impact of existing policies and suggesting remedial measures for improvement of policies and programmers appropriate for the development of the SSI, KVI, and coir sectors.

iii. Problem-oriented studies highlighting finance, sickness, raw material, and marketing aspects of industries and measures for upgrading of technology of these industries.

iv. Studies relating to technological problems faced by small scale, village and cottage industries and measures for upgrading of technology of these industries.

v. Industry related studies to find out the problems of specific industry and suggesting appropriate measures.

vi. Area specific studies at Block level, District level, State level, and National level, particularly in respect of employment generation, income creation and creation/generation of new manufacturing techniques.
vii. Sub-contracting and a cillarisation studies for the benefit of modern small scale industries.

viii. Sector-specific studies and surveys such as modern small scale industries, village Industries, khadi, coir, Handloom Handicraft etc.

ix. Industrial potential surveys consisting of the various sub-sectors in the VSI sector, feasibility studies, market surveys and studies, demand estimates, pricing of products etc.

tax. Evaluation of the exiting policy measure in the small scale industries, village industries, khadi, coir and similar sectors.

xi. Studies on micro enterprises and micro financing in situations.

xii. Any other study or survey which the department considers necessary for taking policy decisions.

1.21 Role of Entrepreneurship in small business:

Effectiveness of small business depends upon the entrepreneurial and managerial capabilities of those involved in the business, because of its size and unique operating characteristics small business requires and management approach, which is also unique. Small business is generally managed personalized fashion. The owner is also the manager until the business go to certain level. They participate in all aspects of managing the business. There is generally no sharing in the decision making process. Therefore, be taken into account in planning for small business development on a national scale.

He looks forward to the next decade. He shall be managing under more difficult conditions than ever before and more will be expected from him. That is the challenge he should welcome, since he has chosen to be manager not caretaker. He alone can meet the expectation if ordinary people in the next decade, by providing them with the goods and services they want, by enabling them to find the satisfaction at work they are looking for and by helping them to tackle community problems. What he will require above all in the years ahead is the confidence to meet that challenge to its fullest.
1.22 Contribution of Small Business Entrepreneurs:

There is wide range of significant contributions that entrepreneurs and entrepreneurship can make to the development process of small industry. These are -

- Entrepreneurship raises productivity through technical and other forms of innovations.
- Entrepreneurship plays a strategic role in commercializing new inventions and products.
- Entrepreneurship plays a critical role in the restructuring and transformation of economy.
- Entrepreneurship helps reduce the ossification of established social institutions and the concentration of economic power.
- Entrepreneurship and entrepreneurial behavior can bring vitality into the life of large corporation and governmental enterprise
- Entrepreneurs make markets more competitive and thereby reduce both static and dynamic market inefficient.
- Small entrepreneurs operating in the informal sector establishes government authority when government and their programmers inhibit economic development.
- Entrepreneurs stimulate a redistribution of wealth, income and political power within societies in way that are economically positive and without being politically disruptive.
- Entrepreneurs improve the social welfare of company by harnessing dormant previously overlooked talent.

Concluding Remark:

Entrepreneurship is becoming a relevant instrument to promote economic growth and development in different regional and national economics. True entrepreneurs are resourceful, passionate and driven to succeed and improve. The great ones are ready to be laughed at a criticism in the beginning because they can see their path ahead and are too busy working towards their claim. An entrepreneur is a business person who not only
conceives and organizes ventures but also frequently takes risks in doing so. The main purpose of this chapter is to provide meaning of entrepreneurs, entrepreneurship development and small-scale industries and these contributions and various concepts.

Entrepreneurship is believed to be an important mechanism of economic growth and development. Their role is to promote prosperity by creating new jobs, reducing unemployment, and increase economic development and growth of a region. They also increase productivity by bringing new innovation and speed up structural changes by forcing existing business to reform and increasing competition

Small industries provide ample opportunity for entrepreneurship. The latent skills and talents of people can be channeled into business ideas which can be converted into reality with little capital investment and almost nil formalities to start a small business. Small industries also enjoy the advantage of low cost of production. Locally available resources are less expensive. Establishment and running costs of small industries are on the lower side because of low overhead expenses. In fact, the low cost of production which small industries enjoy is their competitive strength. Due to the small size of the organizations, quick and timely decisions can be taken without consulting many people as it happens in large sized organizations. New business opportunities can be captured at the right time. Small industries are best suited for customized production. i.e., designing the product as per the tastes/preferences/needs of individual customers, say for example tailor-made shirt or trouser. The recent trend in the market is to go for customized production of even non-traditional products such as computers and other such products. They can be produced according to the needs of the customers as they use simple and flexible production techniques.
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