Chapter I

INTRODUCTION
To begin with, it is essential to know why this study was undertaken. It is also important to clarify what is intended to be explored in this study. Moreover, it is necessary to mention how one went about the study, especially during the field work. The above forms the subject matter of the section 'The Issue' of this chapter. In the section 'Conceptual and Theoretical Formulations of Entrepreneurship', we go on to trace the evolution of the concept of entrepreneurship and the theoretical constructs that have been put forth to understand the supply of entrepreneurs. The third section, as its name suggests, is a survey of the studies done on Indian entrepreneurship by various authors.

THE ISSUE

Choosing the topic 'Social and Cultural Matrix of Industrial Entrepreneurship: A Case Study of Selected Small Scale Industries in Orissa' was not purely out of academic interest nor was it without any antecedent. In the year 1984 being dissatisfied with the job opportunities, I myself was interested in setting up a small scale industry in my home town Cuttack, not only for self employment but also to create jobs for others. Considering my limitations and the limitations of the available infrastructure,
I thought it sensible to delay the industrial venture. In order to prepare myself for the venture as also to make use of my earlier experience in research, I thought it worthwhile to undertake the study for my own benefit. Moreover, the study of entrepreneurs especially of the small scale industries is still a neglected field. They constitute the group of people who are supposed to not only strengthen the production base of the country but also provide majority of the jobs in the industrial sector. Especially being creators of jobs, they largely determine the living conditions of a large number of people who depend on such jobs.

So, entrepreneurs of small scale industries (as a group) are a very important group for the country as a whole. Much of the burden and responsibilities of the government for raising the living standards of the people can be taken up by these entrepreneurs especially when the large and the medium industries both in the public and private sectors, are becoming more capital intensive and less labour oriented.

One of the simplest definitions of Sociology is that it is a discipline which studies the group behaviour. This being a sociological study, the focus is on the behaviour of the group constituted by the entrepreneurs in Orissa, which is one of the least developed states in the country.
In order to study the behaviour of the entrepreneurs it is essential to look into their background, so as to know from where and how they were drawn into industrial ventures and how they operate under the prevailing social and cultural circumstances. The word matrix means the womb and the environment. The entrepreneur is considered to be drawn from a social and cultural womb and perform in a similar environment. Thus the formulation of the topic "Social and Cultural Matrix of Industrial Entrepreneurship".

It is understood that the entrepreneur in an under-developed economy is faced with innumerable problems. Especially those who are involved in small scale industries have much more limitations than their counterparts in medium and large industries. With all the limitations, the entrepreneurs of the small scale industries are expected to overcome the difficulties and survive and eventually be successful. It is not an ordinary task, especially for a single person, which is generally the case in small scale industries. Incapability of delegating the responsibilities makes the task much more difficult. It requires deft handling of limited resources, man power and adjustment to the unfavourable circumstances to achieve one's goals. Any slackness on the part of the entrepreneur or his incapability to overcome the hurdles that come his way is bound to lead the industry into doldrums. This study is an attempt to verify the above understanding in a
place like Orissa which has an underdeveloped economy.

The entrepreneurs in this study are considered to be those who take the initiative to set up industries and actively participate and undertake the responsibility to run the industries. The selected entrepreneurs are involved only in the small scale industries as per the Government of Orissa's classification.

This study is essentially a generalisation for the whole of Orissa, though the study was primarily conducted by selecting entrepreneurs from the two industrial estates of Cuttack town, i.e., Madhupatna and Jagatpur. Cuttack apart from being my home town (which made things more convenient) is the most important business centre of the state. The industrial activity at Cuttack town is comparatively more developed than in other places of the state where it is at a nascent stage.

To make things more clear and simple, the core of the study deals basically with the background of the entrepreneurs and their performance, which includes selection of product, arranging of finance, production, marketing, and their relationship with the government. The study reveals the scope for and limitations of entrepreneurial dynamism within the prevailing social and cultural matrix in Orissa.

Before coming to the core of the study it was considered essential to deal with the conceptual and theoretical formulations
on entrepreneurship, survey of studies on entrepreneurship in India, a historical sketch of manufacturing activity in India and Orissa, and the socio-economic scenario of Orissa in general and of Cuttack town in particular.

Apart from utilising published material, the study involves some quantitative analysis while the rest of it is primarily based on structured and informal interviews. Emphasis has been laid on interviews which included the interviews of the entrepreneurs, officials of the financial institutions, the government promotional agencies, like DIC, OSIC, SISI, the Directorate of Industries, the wholesale agents, the shopkeepers and the general public.

For basic statistical information of the background of the entrepreneurs, 124 entrepreneurs of small scale industries were selected from the industrial estates of Madhupatna and Jagatpur of Cuttack town. Out of these, 46 were interviewed time and again on various aspects of their background and their interaction in industrial activity. For objective assessment of the reality, apart from the entrepreneurs the persons with whom they interact in their industrial activity were also interviewed as mentioned above.

The structured interview schedule that formed the basis of interviews that were conducted on the entrepreneurs consisted of
the following sections:

1. The social background of the entrepreneurs, including occupational variations from the grand-father's to the respondent's generation and the sequences which led them to industrial venture.

2. Selection of product and the making of project reports.

3. Levels of investment, their sources of finance and the problems encountered by the entrepreneur in arranging finance.

4. Their involvement in the production, management and problems encountered with labour and raising of productivity.

5. Marketing of their products, the scope and the difficulties faced by them.

6. Their interaction with the officials of the bureaucracy, their relationship with the government as a whole, including association formation.

It was not an easy task to conduct the interviews with the entrepreneurs. There were instances when some entrepreneurs just refused to say anything about their industry, or avoided the interview. One entrepreneur put it straight away that, "the time I give you will not benefit me in any way, so why should I waste my time when I have so much to attend to". It took quite some time and repeated meetings before a rapport could be built for the entrepreneurs to open up and discuss frankly about his or her industry. They being very busy people it was
difficult to catch them for an interview. Sometimes the interview went on for hours together. Sometimes it had to be cut short because of the entrepreneurs' other preoccupations or abruptly stopped because of intervention by the visitors of the entrepreneur in whose presence it was not possible to discuss any further.

Delicate issues like investment, sources of finance, dealings with officials were cautiously and gradually touched upon as the rapport was built up. There was initial inhibition but after a great deal of empathy and concern shown towards the entrepreneur, a friendship could be struck which unleashed all they had to say. The peak of the interview sessions lasted for six to seven hours when one just listened to them, making a few notes as reminders of the issue dealt with for reporting the next day. Normally, it was convenient to catch the entrepreneurs in the evening and make a report in the day time. In order to fix up an interview an appointment was sought normally on phone after the first meeting. So every morning one had to make a number of phone calls to the entrepreneurs to find out who was free. At times there was no one who seemed to be free and on many occasions they failed to keep the appointment and one had to return disappointed. The gaps were utilized to interview others with whom the entrepreneurs interact in relation to their industrial venture. Sometimes one had to wait till very late in the night just to meet them. To meet the entrepreneurs, one had to not only visit their factories, homes, but also places where they spend the
evenings like their joints and clubs. For instance once one had a long session of interview of an entrepreneur after he had finished playing badminton at the Cuttack Club where one had to wait for quite long. It was found convenient to get to know more and more entrepreneurs through some of those with whom a rapport was already established earlier. To cross check, I tried to get information about one entrepreneur from other entrepreneurs and with whom he interacted. Due to time constraints the cross checking had to be cut short which appears to be reflected in the thesis.

CONCEPTUAL AND THEORETICAL FORMULATIONS
OF ENTREPRENEURSHIP

Entrepreneur as a word was in use in the French language long before its emergence as a functional conceptual formulation. Way back in the early sixteenth century it referred to those who were involved in military expeditions. In the seventeenth century it was extended to cover those engaged in construction and fortification. Only towards the beginning of the eighteenth century one finds it being applied to economic activities. Perhaps the essential connotation of its evolving (or changing) application has been adventurism of some kind or the other.1

In the eighteenth century, Richard Cantillon an Irishman living in France, emphasized the unique non-insurable risk bearing function of the entrepreneur. He used the term 'entrepreneur' for all those who buy factor services at "certain" prices with a view to sell their product at "uncertain" prices in the future. Though not clearly spelt out, he distinguishes between the owner and the entrepreneur. He stresses the risk involved in carrying on the production and exchange of goods which the entrepreneur is supposed to undertake like facing the consequences of bankruptcy in situations of depression.

After a few decades, an aristocratic industrialist, Jean Baptise Say, who had unpleasant experiences was probably the first person to distinguish between the function of the entrepreneur and that of the capitalist. Taking into consideration the element of risk involved, he broadened the term. According to him, "coordination, organization and supervision" were also essentially entrepreneurial functions. He regarded the entrepreneur as "the most important agent of production who provides continuing management and brings together factors of production". Along with "judgement,


perseverance, and knowledge of the world and that of business", Say insists that, the entrepreneur "must possess the art of superintendence and administration".4

Though in France, Cantillon and Say emphasized and delineated the function of the entrepreneur, the English economists belonging to this school did not contribute in any appreciable manner towards the conceptual and theoretical formulations on entrepreneurship. The individual, apart from his resources, and initiative had very little importance for such theorists. Adam Smith considered that the sole motive of the capitalist employer was just to accumulate wealth by providing capital "for use by his workers".5 Little difference was perceived between the terms 'profit' and 'interest' as they were used interchangeably. Savings were identified with investment, by implying that the profit leads to the motive for saving. On the whole, for Adam Smith the fundamental economic determinant of growth is the rate of capital formation. Smith did not bother to either analyze or emphasize factors like "risk bearing" and "coordination" that was involved in any business. He does not distinguish the functions of the entrepreneurs from that of the capitalists when he refers to "three


different orders of people,... those who live by rent,... those who live by wages, and... those who live by profits".6

Ricardo also emphasized the significant role of the rate of capital accumulation in the theory of economic development. He points out that the two main factors which govern the rate of capital accumulation are the ability to save and the will to save. While the former depends upon the amount of surplus (the net income) of the economy, the latter depends on the rate of profit. According to him both profit and wages affect each other presuming other things to be constant. The Ricardian system differs from that of Smith as it considers the economy not to be strictly dependent on the rate of investments for its expansion or decay. By manipulating the socio-cultural variables and the needful technological improvements the developed state of the economy can be maintained.7 John S. Mill in his restatement of the classical theory attempted to separate the entrepreneurial function from that of providing capital. The payment for the former is the 'residual profit' and that of the latter is 'interest'.8


This attempt was shattered by Alfred Marshall who "reaffirmed the Smith-Ricardian tradition by treating profit as a single undifferentiated income flow". But Marshall distinguished between the 'capitalist' and the 'undertaker' (management). He said that the undertakers who do not follow the beaten track increase their earnings by adopting new and improved methods of doing business which is later imitated by his competitors reducing the profits. This bore the seeds of the idea of innovation which was not yet fully developed. May be it was an anticipation of Schumpeter's theory of innovation and economic development.

The importance of the entrepreneur was gradually recognised by later theorists. Leon Walras in his theory of general equilibrium considered entrepreneur as the fourth factor of production who hires and coordinates the others - land, labour and capital. The entrepreneur is on one hand the buyer of the productive services and on the other seller of produced goods. Under free competition the entrepreneur is responsible for ensuring the market to move towards a general equilibrium. He ventures into the areas of production which are profitable, increases the output

9. Ibid.

thus reducing the profit. He leaves the spheres of production which are incurring losses, thus checking the output and consequently reducing the losses.  

With more and more formalisation of modern economic theory there had been a tendency to relegate entrepreneurship to the catch-all residual factors. This residual factor includes entrepreneurship along with technology, education, institutional organisation etc. Though the function of the entrepreneur was gradually recognised and emphasised as a factor in production and exchange of goods by some quarters, it was all in a very static sense. The dynamic notion of entrepreneurship, i.e., entrepreneurship as a force in itself for the expansion of the economy was not in vogue till Schumpeter put forth his theory of innovation and economic development. That is why his work is considered to be a pathbreaker to the growing tendency of relegateing entrepreneurship to a mere factor in production. Schumpeter attributes to the entrepreneur the unique quality of innovation that a mere capitalist lacks. His creative response to an economic situation


is responsible for further expansion of economic activities. He clearly distinguished the managerial activities of a business leader from his creative response.\(^\text{13}\) In other words, the entrepreneur need not necessarily be the person who invests the money, he is not the person who manages the day to day routine work, he is the person who brings about the necessary changes by introducing the innovative element that leads to the expansion of the business.\(^\text{14}\)

Entrepreneurship is not a profession or a permanent occupation. An entrepreneur may arise from any economic base. Thus entrepreneurs do not by themselves constitute a class.\(^\text{15}\)

According to Schumpeter the innovation is not the same as invention. The innovation may be because of any one or more of the following:

\begin{itemize}
  \item [(1)] the introduction of a new product;
  \item [(2)] adoption of a new technology;
  \item [(3)] opening up of a new market;
\end{itemize}

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\textbf{References:}
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\(^\text{14}\) Ibid. pp. 87-88, 98-102.

\(^\text{15}\) Ibid. pp. 102-104.
(4) finding out a new source of supply; and
(5) bringing about a new organisation of an industry. 16

Schumpeter's theory of economic development is based on his experiences during the period of the industrial revolution prior to the coming of the giant corporations. Such a theory is not appropriate for the less developed capitalist countries with a few large firms dominating the manufacturing business. It is doubtful whether in an underdeveloped region the innovation to which Schumpeter attaches so much importance is practicable or is enough to give the required boost to the economy from its state of stagnation or decay.

Among others who followed Schumpeter in emphasising the critical role played by the entrepreneur in economic development are A.H. Cole, G.H. Evens and T.C. Cochran. According to A.H. Cole, entrepreneurship is an "integrated sequence of actions taken by an individual or by a group operating for individual business units in a world characterised by a large measure of uncertainty". Evens sees entrepreneurs as "persons who initiate, organise and control the affairs of business units that combine

16. Ibid. p. 102.
factors of production to supply goods and services whether business pertains to industry, trade or profession." Cochran has this to write that "students of entrepreneurship generally have come to agree that while it is a definable function, entrepreneur is a term denoting an ideal type rather than a term continuously applicable to a real person. Any business or other official may exercise entrepreneurship, but a classification can not be devised that would empirically separate entrepreneurs and non-entrepreneurs."19

The fast changing technology in the contemporary world has led to increasing complexity of business organisations. In such a situation the entrepreneur as an individual has little significance. Frederick Harbison finds it appropriate to consider the entrepreneur as "an organisation which comprises all the people required to perform the entrepreneurial function." The functions being the following:

(1) Undertaking or managing of risk and the handling of economic uncertainty.


(2) Planning and innovation.
(3) Coordination, administration and control.
(4) Routine supervision.

In a small enterprise all the functions may be performed by an individual but in large establishments the functions have to be delegated among a group of persons embodying a complex hierarchy.

Harbison suggests that it is sensible to label the group of persons performing the entrepreneurs' function as an "organisation" rather than as "the entrepreneur". The term "organisation" apart from connoting the constellation of functions, persons and abilities used in management of the enterprise, also highlights the nature of integrating these into a common undertaking. The advantage of having this concept of "organisation" is that it can be subjected to quantitative measurements enabling us to have the notions like "investment in organisation" in the same sense as "investment in machinery or equipment" and "accumulation of managerial resources" a concept similar to "capital accumulation". It is useful to use this concept of organisation in the case of large joint stock exchanges.

The role of the entrepreneur is acknowledged by Maurice Dobb. According to him the entrepreneurial function is the coordination, controlling, or the integrating force that is required in any society with modern machine techniques and extensive division of labour. The function is to make adjustments, innovations and the ability to make correct judgements about the future.21

Going by current theoretical literature in economic theory the role of the entrepreneur seems to have disappeared. William J. Baumol considers that the micro economic models are such powerful tools for the analysis of well defined problems where the variables are so well defined that there is very little left for the entrepreneur for solution. He is of the opinion that a person of extraordinary vision is no more required. The businessman is basically a maximising automation who fits into micro economic models where almost everything is determined or can be determined.22

Harvey Leibenstein agrees with such a view but points out that the role of the entrepreneur is actually trivial in the prevalent models of the contemporary economic theory primarily

because they are static models assuming complete certainty.

He writes, "if all inputs are marketed and their prices are known and if there is a definite production function and relates inputs to outputs in a determinate way, then we can always predict the profit for any activity that transforms inputs into outputs. If net profits are positive, then this should serve as a signal for entry into this market. The problems of marshalling resources and turning them into outputs appears to be a trivial activity. From this point of view it is hard to see why there should ever be deficiency of entrepreneurship. The answer is that the standard competitive model hides the vital function of the entrepreneurs." 23

Leibenstien acknowledges entrepreneurship of two types. One is the Schumpeterian innovative type and the other is routine management of ongoing business.

An entrepreneur, according to Leibenstien, may be an individual or a group of individuals having mainly the following four characteristics: (1) Gap filling; (2) Connecting different markets; (3) Input completing; (4) Creation and expansion of markets.

He says, that there is no one to one correspondence between the sets of inputs and outputs. Gap filling is a vital function that is required to be performed for production to take place and for the product to reach its consumers. The whole array of roles - perceiving of the economic opportunity, marshalling of financial resources and technical know-how, organising people to produce and then to market it has to be performed by the entrepreneur. By "input completing" he means that certain minimum quantity of inputs need to be marshalled for any given economic activity. If less than the minimum is available then it is for the entrepreneur to come forward and arrange for that which is lacking.

The demand for entrepreneurs depends on the potential opportunities for the gap fillers and input completers. It also depends on the extent to which gap filling and input completing can increase production. The supply of the entrepreneurs depends on the availability of persons with gap filling and input completing capacities and the prevalent social, political and motivational factors that influence the extent to which individuals or groups utilize these capacities.²⁴

²⁴. Ibid. pp. 72-77.
gaining command over scarce resources, taking responsibility for the internal management and for the external advancement of the firm in all its aspects."26 He adds to this that "in any particular time and place the skilled performance of certain of these tasks by the entrepreneur is critical while other tasks demand little attention or can be safely delegated to subordinates. Thus different settings may call for markedly dissimilar entrepreneurial personalities." 27 

Both the role and the motivation of the entrepreneurs have varied with time in the evolution of the developed economies. Similarly, as has been mentioned earlier, the Schumpeter like innovative entrepreneurs are not the requirements of the developing countries primarily because there is already a vast stock of proven technological innovations which are yet to be applied in these countries. Moreover, the kind of original innovations which are taking place in the advanced countries at present are very difficult to be achieved in these countries because of their lack of adequate infrastructure, resources, highly skilled personnel and effective management organisations. It will be rather too ambitious for the entrepreneurs of the developing economies to prove to be innovative at par with those of the developed economies.

26. Ibid. p. 4.
27. Ibid.
The task of the entrepreneurs in the developing economies is essentially the adaptation of the already existing proven innovations to these economies. The task is not to carry on original technological innovations like those of the nineteenth century entrepreneurs of Europe and America (who are their actual counterparts taking into consideration the stages of industrialisation of the then Europe and America and the present state of the developing countries). Apparently, it may seem to be a simpler task than that of the nineteenth century entrepreneurs of the industrial revolution. Hurdles faced on the production side and in marketing the products make it perhaps many times difficult task for the entrepreneurs of these developing countries to establish themselves.

Problems that arise on the production side are largely due to the very existence of a huge stock of proven technology. The entrepreneur of a developing country finds a large gap between the techniques of the existing semi-traditional means of production and the modern technology. The leap that one has to make to upgrade the technology to keep pace with the advanced countries is quite big because for the latter counterparts things improved comparatively slowly. It is not merely the disparity of technology which poses the problem. Along with it, the requirement of technical and managerial skill of highly improved quality is of utmost importance. All this has to be done in a far shorter interval of
time. To overcome all this, the capital investment goes up phenomenally which in itself is a critical problem especially when in such economies capital is not only scarce but also shy to be mobilised.

In the open or virtually open economy the severe competition which these entrepreneurs have to face both in terms of price as well as quality from the already established firms (having vast resources and specialised personnel) is something which was never experienced by their predecessors. The cheap transport by sea has destroyed the natural protection of these countries. Trade barriers have been of little help. Many of the producers in advanced countries have made inroads into the domestic markets as multinationals in some form or the other by investing in their local subsidiaries.

Peter Kilby sums up the nature of the entrepreneurs' function in the developing economies much more precisely. He writes, "the backlog of unapplied production techniques and the existence of large, well mapped out import markets mean that perceiving truly new economic opportunities and the carrying out of fundamental, pioneering innovations of the type envisaged by Schumpeter are largely irrelevant. On the other hand, the operational problems of matching advanced technology with qualitatively ill-fitting local factors of production are considerably greater than in the
nineteenth century. To obtain adequate financing, to adopt techniques and organisation, to maximise factor productivities and minimise unit cost, to improvise substitutes for non-available skills and materials - these tasks on the production side will more often than not represent the critical entrepreneurial function in the modernising economy of the twentieth century. 28

After having recognised the importance of entrepreneurial function in economic development the immediate questions that one is likely to ask are, who are capable of performing the function, that is to say, who can become an entrepreneur, where do they come from, or where can one look for them, whether they are in abundance or in dearth? Though these may appear to be separate questions, they are actually related ones dealing with the recruitment of entrepreneurs.

Theories put forth by various authors attempting to explain the mechanism of the supply of entrepreneurship largely falls into the spheres of the two disciplines, viz., Psychology and Sociology, though it would perhaps be futile to separate them completely into either of these disciplines.

28. Ibid. p. 6.
To begin with, let us consider Max Weber's and Schumpeter's theoretical constructs which are simpler than the others. Peter Kilby points out that there is much similarity between Weber's and Schumpeter's theories though they do differ in certain aspects. "In both theorists the energised entrepreneur appears in the traditional economy and sets in motion a revolutionary process of creative destruction."29 The common and the key element in the theories of Max Weber and Joseph Schumpeter is innovation. The innovation of Weber's entrepreneur is an outcome of "thoroughgoing nationalising of every aspect of his enterprise."30 Whereas Schumpeter's notion of innovation is more creative in the sense that the entrepreneur's creativity is not merely limited to systematic ordering of means to an end, as mentioned previously, he may bring about a fundamental change in technology, or may create new demands, or find a new source of supply of raw materials, or adopt new organisational skills.

Schumpeter's theory stands out from that of Weber's and others in its little regard for the social, cultural, and religious variables which they emphasise for the analysis of the supply of

29. Ibid. p. 6.
30. Ibid.
entrepreneur. While Weber builds up his theory on Protestant ethic which is religious fervour of rationalising mundane activities eventually leading to the growth of capitalistic order. Schumpeter just considers that the "economic leaders are individuals motivated by an atavistic will to power, who occur randomly in any ethnically homogeneous population. Their special characteristics are an institutional capacity to see things in a way which afterwards proves correct, energy of will and mind to overcome fixed habits of thought, and the capacity to understand social opposition." 32

David McClelland in explaining rapid economic growth emphasises "on the internal factors, the human values and motives that lead man to exploit opportunities, to take advantage of favourable trade conditions, in short, to shape his own destiny." 33 His book Achieving Society is more of an empirical work wherein he also attempts to articulate a theory of entrepreneurship based on the

notion of 'innovation' and 'risk bearing capacities' of his predecessors. He highlights the fact that groups respond to similar conditions differently. To explain this he introduces the psychological concept called 'need for Achievement' or n Achievement. By which he means "a desire to do well, not so much for the social recognition or prestige but for the sake of an inner feeling of personal accomplishment." The difference in response to similar conditions by groups is because the groups differ in their level of n Achievement. He tries to prove that when in a society there is a concentration of people with a high need for Achievement it eventually leads to rapid economic growth. The link between high n Achievement and economic development is the entrepreneurial behaviour. He summarises that "entrepreneurial behaviour is exhibited by people who are high in n Achievement in (1) their desire to take personal responsibility for decisions (2) their preference for decisions involving a moderate degree of risk, and (3) their interest in concrete knowledge of the results of decisions." To be more precise his statement "n Achievement fits people for entrepreneurial jobs particularly those jobs which give concrete knowledge of results" clearly links n Achievement with entrepreneurship.

34. Ibid.
35. Ibid. p. 116.
According to Peter Kilby, David McClelland has extended the causal sequence of entrepreneurial behaviour put forth by Weber as follows:

**Weber's Sequence**

Ideological Values → Entrepreneurial Behaviour

**McClelland's Sequence**

Ideological Values → Family Socialisation → Need for Achievement → Entrepreneurial Behaviour

The levels of n Achievement among groups depend on the way they have been reared in their childhood. Inculcation of high n Achievement motive according to McClelland is due to a child rearing practice which assures material warmth, self-reliance, training, and less of authoritarianism. In his later career he is less rigid on his emphasis on child rearing practices as he talks of arousal of achievement motive among the adults through proper courses and discourses making way for the policy makers for a programmed economic development within a short time.

36. Ibid. p. 8.
Robert Le Vine looks at it the other way round. According to him the "socialisation of children will be regulated by the type of status mobility system that prevails in that society. Where higher status is attained through outstanding performance in one's occupational role, parents will try to foster in their children initiative, industriousness and foresight through self-reliance and achievement training." In order to exemplify, he distinguishes the Ibo society in Nigeria from 'hierarchical society' like Hansa, where "upward mobility is attained through loyalty, obedience and sycophancy; here the parents subject their children, training instructions in the use of flattery, and the suppression of tendencies that might antagonize superiors." Thus Le Vine shifts the emphasis from prevalent values to the social structure as the cause of achievement motive.

Hagen stressed on the prime importance of creative personality for the change from traditional society to a society with modern industrial economy. He distinguishes between the creative personality and the uncreative personality elaborately. He associates


38. Ibid. p. 10.

the unrealistic personality with the traditional society as it appears to explain a great deal about its complexities which is otherwise not possible. He is of the view that all societies once upon a time were traditional and some continue to remain so because of the traditional authoritarian child rearing practices leading to uncreative personalities. Some societies have changed into ones with modern economies and others have remained to be traditional primarily because of some major historical shifts in the former societies resulting in the status withdrawal of some groups of people which initiated a sequence of change leading to a concentration of creative personalities after a few generations. These creative personalities in order to restore their status position, long being the cause of anxiety of the group, channelise their energies mainly to activities from which the elites keep away. In the traditional societies the elites keep away from the economic activities, considering them to be mundane. So it is easier for these creative personalities to get engaged with economic activities and eventually become economically powerful and consequently gain other powers and change the system to that of modern economy. Thus in his theory the making of creative personality is most important to bring about growth and economic expansion in societies so long traditional.
Hagen's sequence of change from uncreative personality of stable traditional society to creative entrepreneurial type is as follows:

Traditional authoritarian $\rightarrow$ Non innovative child rearing personality

$\rightarrow$ Anger $\rightarrow$ Suppression of values $\rightarrow$ Mothers' rejection of Anxiety Retreatism father and husband protective nurturance

$\rightarrow$ Creative Relative social $\rightarrow$ Entrepreneurial Son blockage behaviour

According to Hagen four types of events result in status withdrawal: (a) displacement by force; (b) denigration of value symbols; (c) inconsistency of status symbols with a changing distribution of economic power and (d) non-acceptance of expected status on migration to a new society. With the occurrence of status withdrawal the process of entrepreneurial personality formation sets in in accordance with the above sequence of change. While Hagen and McClelland both consider creative personality as the source of entrepreneurship they differ in the causal sequence with Hagen introducing the concept of status withdrawal.
Cochran rejects the random, spontaneous, arbitrary notion of entrepreneurship. He considers entrepreneurship to represent a model personality which is a consequence of prevalent cultural values, role expectations and social sanctions. The values like high achievement, cooperativeness, team spirit, rationality are inculcated by the modern child rearing practices. Apart from the value structure the entrepreneurs' personality is shaped by role expectations of the defining groups and the requirements of the new operational needs. In comparing between the United States of America and Latin American countries he stresses the creative entrepreneurial response or abortive attempts. This will depend primarily on the prevalent cultural values.

The theory offered by Frank Young is more sociological in nature and very much akin to the theoretical constructs of Durkheim and Levi Strauss. Though he gives due importance to biographical studies of eminent individuals in business and industry, in the study of history of entrepreneurship he considers entrepreneurship basically as a group level phenomenon. Like Cochran and others he is of the opinion that "Psychogenic" studies of entrepreneurship do not reveal much beyond the superficial.

many in betweens, in decreasing sizes, forming a series, with scope for a chain reaction to occur.

Young like his predecessors essentially adopts a similar notion of entrepreneur as the innovator. The difference is in the causal sequence where the 'transformation codes' are considered an outcome of group level activity of the solidarity group to improve its symbolic position in the larger structure. The individual level of entrepreneurship is actually a partial manifestation of the group level of entrepreneurship. The conspicuous entrepreneur may appear to be operating singlehandedly though actually he is aided by a group level activity. Family background, experiences as belonging to a particular kind of group and reflections of general cultural values together is responsible for generating entrepreneurial activity.

In the above analysis, psychological reactions though part of sociological explanation, are not treated as independent causal factors. Besides, the unnecessary sequences of changes necessitated by the psychological theorists is avoided.41

Kunkel's theory on entrepreneurship is based on the behavioural model of Skinner and Homans. He writes, "according to the behavioural model, the determinants of an individual's activities are to be found largely in the conditioning procedures — both deliberate and accidental — to which he has been subjected in the past, and in the sets of reinforcing and discriminative stimuli which have become part of his behavioural chains and are part of the present social context. The relationship between the social environment and the individual is reciprocal; the social context of an individual creates particular secondary deprivations, a particular reinforcement on a specific schedule, and the associated controlling stimuli which are the essential elements of the operant conditioning process. An individual manipulates the social context with his behaviour, deprivations are reduced or noxious stimuli are eliminated or avoided, and new SD's for further activities may thereby be established (chaining)." 42

These events together with the procedures result in the formation of the personality "considered as the totality of behaviour patterns in the individual's repertoire, which he has acquired.

the determinants of the reinforcing and discriminative stimuli by means of which desired behaviour patterns are shaped and maintained.\textsuperscript{45}

According to Kunkel, in order to establish the psychological and social prerequisites of economic development especially in the underdeveloped countries it is pointless trying to change the values, attitudes or personalities of its people as has often been advocated in recent years. On the other hand he propounds that "the behavioural approach, emphasising the shaping of behaviour by means of differential reinforcement and punishment, opens a way not only to the testable explanation and prediction of behaviour but also to its alteration. The behaviour model of man leads to the conclusion that, if behaviour is to be changed, changes must first occur in the reinforcing stimuli, in their presentation and schedule, and in the discriminative stimuli. This can be accomplished only through the alteration of those aspects of the social context which influence these components of the conditioning process. Changes in character, rather than being the prerequisite of economic development, are to be considered as concomitants and consequences, in so far as economic development means, for the average individual changed reinforcers, changed schedules, and new behaviour patterns, newly reinforced, under new

\textsuperscript{45} Ibid.
circumstances. The problem of economic development, then, is not the alteration of character of certain elements of it, but the change of those selected aspects of a man's social environment which are relevant to the learning of new behaviour.46

Kunkel goes on to add that the recent emphasis on the role of the individual in economic development does not actually undermine efficacy of the structural approach to economic development. Rather, the importance of the structural approach is duly recognised as it is essentially a part of the "behavioural model" of the man in that a person's activities at any moment are not only the consequences of a long conditioning history, but are also influenced by the immediately surrounding social context which maintains or alters the probabilities of behaviour pattern established in the past and is largely responsible for the shaping of new patterns.47 Thus by taking into consideration the effects of behaviour of both the past and the present social context the behavioural model reconciles the individualistic and structural approaches to economic development.

Kunkel also points out that efficacy of the behavioural approach to economic development based on the principle of operant

46. Ibid. p. 166.
47. Ibid. p. 167.
conditioning, depends on to what extent the government has control over the relevant aspect of the social environment which act as reinforcers. "The greater the difficulty of shaping new behaviour patterns, the longer it will take, and the greater the chance of failure." 48 The behavioural model of man then not only becomes a tool to bring about alteration of behaviour but also enables one to understand the reasons for resistance to change.

Kunkel's theory does not lead to pessimistic conclusions as drawn up by many studies dealing with the psychological pre-requisites for rapid industrialisation. Since the behavioural model of man, takes into consideration the influence of the present social structure apart from that of the past to determine the individual role, there is the possibility of changing the relevant aspects in the present social structure to alter the individual behaviour conducive to economic development.

Unlike many others, Kunkel affirms that "there is no need to wait for a number of generations for the creation of new values and personalities" 49 to bring about a spurt in enterprise for economic development. Thus "there is no foundation, on theoretical

48. Ibid. p. 179.
49. Ibid.
grounds for the pessimistic outlook concerning the capacity of underdeveloped countries to industrialise in a short period of time... since usually only a few aspects of the societal environment can be altered, present efforts to create behaviour prerequisites must begin on a small scale. This is no easy task, but it is a possible one."

STUDIES ON ENTREPRENEURSHIP IN INDIA

Studies on entrepreneurship in India have slowly started picking up with the increased pace of industrialisation in the country. Gadgil's study was from a historical perspective of Indian entrepreneurship in the seventeenth and eighteenth centuries. In his effort to trace the origin of the modern Indian business class, he primarily dealt with the social communities involved in trade, finance and handicrafts industries in different geographical areas. Lamb's study of the entrepreneurial participation of different communities in India since the factory mode of production was adopted in the middle of the nineteenth century is one of the

50. Ibid. pp. 179-80.

earlier studies that tried to break the myth that the Indian tradition is an impediment for the growth of enterprising elite. He writes, "one is puzzled by the apparent contradiction between hierarchical view of society as contained in Indian caste and the obvious vigour of Indian trading communities." Mrs. Hemlata Acharya in her study of business enterprises in Gujarat observed that these entrepreneurs mostly belonged to business communities. Pavlov in his study of the emergence and development of Gujarati and Marwari large-scale entrepreneurs attempted to lay certain broad principles regarding the development of Indian capitalists. Lenghton W. Hazlehurst points out in his study of Ram Nagar that there is continuity in the structure as the old trading groups are found to be successful entrepreneurs, he also observes that the refugees have significantly contributed to entrepreneurial activity in Ram Nagar. Mahadevan in his study of an Indian trading


caste, the Chettiyars in Malaya emphasises that trading background can enable entrepreneurial ability even in unfamiliar foreign land. 56

James J. Berna's study of fifty manufacturing firms in Madras city, Coimbatore and the adjoining areas, reveals that persons of very different social standing and economic position could enter into industry. His observations show that caste and tradition do not play very important roles which is against the popular belief. Most of the firms he studied were medium sized firms which grew against formidable odds from small scale units. While considering the display of entrepreneurship as fairly high he feels the performance of the entrepreneurs could be further improved, if some assistance in techniques and management is made available to them. He points out that the medium size units have been generally neglected by the government which he thinks is wrong because they are the ones which have already demonstrated their capacity to grow. 57


Nafziger's study on small-scale manufacturers in Visakhapatnam in Andhra Pradesh reaches the conclusion that the twice-born castes and rich families were successful entrepreneurs due to education, work experience, access to capital and availability of government assistance. Moreover, the socio-economic status is generally higher than others in non-socialist countries.58

The UNESCO research centre conducted a study on metal working industry in Howrah. Its findings are that industrial entrepreneurship occurred gradually as a result of shift of members from their traditional occupations to the industry.59

Spodek's study reveals that the non-Banias with the support of financial assistance of the Banias started the cotton textile industry in Ahmedabad. Banias ventured into industry later, bringing about considerable changes in the city.60


B.S. Bhatia points out in his study of 50 firms in Punjab that the entrepreneurs who ventured into manufacturing activity and were successful belonged to various castes and occupations. He is of the view that capital and experience accounted for their transition and success.61

R.A. Sharma in his study of 316 manufacturing units in the corporate private sector observes that it is no more that the trading and financing communities of the Parsis, Banias or Chettiyars came from the non-trading and non-financing communities like Brahmins, Khatris, Naidus, Patels, Kayasthas, Sikhs and Sindhi Hindus. Moreover, the latter communities, which were more entrepreneurial than the former, were switching over from the traditional sector - textiles, sugar, cement, paper, food beverages, tobacco, ceramics and refractories - to modern sector - chemicals, pharmaceuticals and fertilizers, machinery of all kinds and allied items, metal and metal products, rubber and plastics, glass, transport etc. 62

M.D. Morris is of the view that Hinduism and Hindu castes may not altogether hinder modern capitalism but they did limit the


scope of economic opportunities. According to Dwijendra Tripathi, Independence has brought about changes in the economic environment, as a result the Hindu values have also undergone changes, which permitted the people from non-business background to venture into industry. Singer and Mines directly repudiate Max Weber's notion that religions in India inhibited entrepreneurship. Their study is an attempt to reveal that "inner-worldly" values of Hinduism and Islam also enable the promotion of modern capitalism. Medhora goes on to cite cases of successful Hindu entrepreneurs.

The joint family is considered by some authors like Gadgil and Singer to be a suitable springboard for industrial entrepreneurship.


The joint family property and its connections are of immense use for industrial ventures. Gloria V. Javillonar and George R. Peters endorse this view by pointing out that the extended family system also facilitates an individual's entry into the entrepreneurial role.

McGrory considered family background in crafts to be important for industrial ventures, but in the initial stages such a background did not enable craftsmen entrepreneurs to invest their working capital properly and overcome the crisis in their venture. Their working capital seemed to dissipate due to various reasons.

Z. Mars' study of entrepreneurs from six towns of different sizes in Kerala shows that families with no land or less land operated small workshops in small towns; landed families showed a relatively higher level of entrepreneurship in medium towns.


entrepreneurs from families pursuing white collar jobs and professions, took up small capitalist enterprise in large towns.70

Spodek's study held the view that in union of family and firms, family goals can be in conflict with the firm goals, which in consequence would lead to instability, lesser profit, and finally affect the innovative activities, abilities and spirit.

Ashish Nandy conducted an intensive study of small scale entrepreneurs along with a matching group of non-entrepreneurs from an urban ward of Howrah in West Bengal, in which he attempted to compare the enterprising and non-enterprising culture. The study shows that in an enterprising community, entrepreneurial exposures was in itself a motivating factor which determined entry and survival in business. His study finds n Achievement as the best predictor of entrepreneurial motives, followed by a n power and the sense of efficacy. The study reveals that there is a significant relationship between n power and entrepreneurship.71


K.L. Sharma's study of entrepreneurs in Uttar Pradesh took into consideration their entrepreneurial orientation, entrepreneurial commitment, and achievement. According to him, entrepreneurs in Uttar Pradesh display higher entrepreneurial orientation than entrepreneurial commitment and achievement. The factors causing low entrepreneurial achievement are the non-conducive social milieu, non-commitment of workers and officials, shortage of finance and raw materials. In an unfavourable social milieu the entrepreneurial motivation is not enough to infuse entrepreneurial commitment and achievement which can be assured by providing a conducive environment. The study observes that non-business castes have a higher degree of entrepreneurial orientation and higher commitment as far as application of effective methods of market expansion is concerned than the traditional caste entrepreneurs who have more spatial expansion of markets, and higher sales. He is of the view that the inheritance of the well established business from their fathers among the business caste entrepreneurs leads to complacency and consequently low degree of entrepreneurial orientation and commitment.72

K.L. Sharma also studied the inter-state patterns of entrepreneurial performance by selecting samples of entrepreneurs from Punjab and Uttar Pradesh. The study reveals that the entrepreneurial performance depends on the prevailing industrial climate. Variation in industrial climate of the two places results in variation of performance. The study affirms that the socio-economic background of the entrepreneurs matters at least for one's entry into manufacturing. 73

Robert Kennedy accounted for the success of the Parsi community by correlating the values as expressed in Zoroastrianism to the values associated with economic activity and scientific pursuits. It is basically an attempt to fit the Weberian model of Protestant ethic and spirit of capitalism to the Indian context. 74

On the other hand, Amalendu Guha counters any attempt to explain the success of the Parsis in terms only of religion or by their puritanism. He stresses that the success of the Parsis


is better explained by their greater ability to adjust themselves to European power and their relative non-involvement in earlier civil and military administration.75, 76.

Thomas Timberg studied the Marwari community. He arrived at the conclusion that the Marwaris performed crucial roles in commercial and industrial development of northern India. The existence of commercial social institutions along with their values enabled the Marwaris to succeed in business. The joint family system and the strong particularistic caste loyalties also contributed to the success of the Marwaris.77

Owens' study of small scale engineering industry in Howrah shows that the traditionally cultivating caste - the Mahisyas in the neighbourhood had emerged as entrepreneurs and industrial workers. The occupational shift of the Mahisyas was gradual, spreading over several generations. The factors that were


attributed to the transition were urbanisation and intensity of occupational mobility due to the availability of educational amenities in the area. The study reveals that the youngsters were inducted into the industry and shows how their educational advancement enabled them in the expansion and modernisation of their family firms.78

B.S.S. Rao is of the view that technically trained entrepreneurs make better entrepreneurs than the other entrepreneurs.79

P.S. Hundal's study of small scale industrial entrepreneurs in Punjab showed that the successful ones had a high level of achievement motivation.80 R. Venkatapathy who studied inter-generational career mobility of entrepreneurs is of the opinion that presence or lack of certain psychological factors determined the success or failure of these entrepreneurs.81


M.N. Panini's study of Faridabad entrepreneurs reveals the possibility of contact establishing and network contributing to success in industrial ventures.82

K.S.H. Rao and D.G. Sumithra studied the role of government policies and programmes in promoting entrepreneurship. According to them though the government measures have inhibited entrepreneurship in some cases, they have played a positive role in most of the cases. This role was assessed in terms of the abilities of the entrepreneurs to increase their assets to diversify their products and in the expansion of their market.83

M.L. Mishra looked into the impact of government policies aimed at developing infrastructure, provision for finance and introduction of favourable taxes on private entrepreneurs. He felt that the impact had both positive and negative effects.84


J.H. Van Deer Veen observed that the business oriented entrepreneurs were doing better than the production oriented entrepreneurs. The import substitution policy further favoured the business oriented entrepreneurs. He points out ways and means to help out the production oriented entrepreneurs.

V. Gautam studied the problems of the entrepreneurs and their adaptive strategies to overcome difficulties. By doing so he also made an appraisal of the role of government measures in helping them to solve these problems.

It is also essential to infuse entrepreneurship among the weaker sections. Vinayak Vani studied the entrepreneurship development among the tribals in Ranchi. O.D. Heggade looks into the problems and prospects of the women entrepreneurs.


86. V. Gautam, Enterprise and Society: Study of Some Aspects of Entrepreneurship and Management in India, Delhi, Concept Publishers, 1979.
