CHAPTER II

REVIEW OF LITERATURE

The word entrepreneur had its origin way back in the twelfth century (Hebert and Link, 1982). However, research in the development of a theory of entrepreneurship started relatively late only in the seventeenth century. It was mainly restricted to the domain of economics until the middle of the nineteenth century. Since then scholars with a variety of backgrounds such as economics, psychology, sociology, anthropology and management have contributed substantially to the emergence of entrepreneurship as one of the most promising fields in business education. This chapter makes an attempt to throw light on the conceptual framework of entrepreneurship, its role in industrialisation, the process of its development and the research studies undertaken on Indian entrepreneurship.

Entrepreneurship is considered as a key variable in linking the socio-cultural milieu with the rate of economic development. The concept of "entrepreneur" has come to evolve over many centuries. In the 16th century, the word entrepreneur in French language meant a leader of the military expedition. In the 17th century the term was extended to cover architects and contractors of public works (Hoselitz, 1952, p. 195). Turgot (Pathak, 1982, p. 3) differentiated ownership of capital as a separate economic function in business and called it entrepreneurship; whereas Quesnay
regarded a rich farmer who makes business profitable by his intelligence and wealth as an entrepreneur (Tuttle, 1927, p. 502). Richard Cantillon (1957 p. 48) maintains that anybody engaged in economic activity is an entrepreneur. For J.B. Say (1827, p. 295) an entrepreneur is a person endowed with the qualities of judgement, perseverance and knowledge of the world as well as business. All these early French thinkers regarded entrepreneur as a person who translates a profitable idea into a productive activity. However, these thinkers considered entrepreneurship as one of the four factors of production but not the first and foremost. They did not consider entrepreneurship as a dynamic concept by over emphasising on assembling productive facilities and risk bearing.

Early British economic thinkers in contrast to the French underlined the framework of perfect competition. From Adam Smith to Marshall, the British economists made no effort to define or include entrepreneurship in their economic literature. They considered development as an aggregative function and, therefore, the individuals were treated as cancelled out in the aggregation or suppressed in the competition. As all units of a product are identical and supply is always equal to demand, the organiser of the productive activities is considered no more a risk taker but just a capitalist. The classical economists (Kilby, 1971, p. 2) have made no distinction between income from ownership and income from management and regarded returns accruing to capital employers as profit. In Ricardian theories one misses the emphatic presence of the entrepreneur. Nothing like the business leader as an agent of change is conceived
in his treatment of economic principles (Cole, 1946, p. 6). While highlighting the role of capital accumulation in the process of economic development, he maintains that the rate of capital accumulation depends on two factors: the ability to save and the will to save. The first depends on the amount of surplus, i.e., net income of the economy while the other on the rate of profit. Richardian profit is affected by changes in wage rate as he considers profit as a residual over and above wages on that portion of land which yields no rent. Unlike Smithian economy the Ricardian system no longer expends or decays strictly according to its rate of investment. Therefore, underdevelopment can be remedied by changing the exogenous policy variables, i.e., socio-cultural environment and technological improvements. The younger Mill rightly separated the two, regarding profit as entrepreneur’s reward. However, the neo-classical economists, specially Marshall reaffirmed profit as a single undifferentiated income flow, relegating entrepreneurship to management which is a specific variety of skill (Kilby, 1971, p. 2). Marx, strangely enough regarded entrepreneur as a social parasite. The maintains that the return accruing to a businessman for introducing novel improvements is a product of certain specific historical conjecture and of social inequality and, therefore, control claim to have any social functionality (Kilby, 1971, p. 78).

Bert Hoselitz states, “a person who is to become an industrial entrepreneur must have additional personality traits to those resulting from a drive to amass wealth...In addition to being motivated by the expectations of profit he must also have some managerial abilities and more important he must have ability to lead” (Hoselitz,
1952, p. 106). He perceives managerial skills and leadership to be the important facets of entrepreneurship and maintains financial skills to have only a secondary consideration. While analysing economic development in underdeveloped countries, he identifies three types of business leadership, i.e., merchant moneylender type, managerial type and the entrepreneur type. While for him the merchant moneylender's function is market-oriented, and the managerial function is authority-oriented, the function of an entrepreneur is predominantly production-oriented in addition to the above orientations. His analysis of entrepreneurship naturally suggests a method for development of personality traits that is predominantly production-oriented and skilled in imaginative management integrating all aspects of production. He also suggests for creative integration of production function with the establishment of social institutions which create a favourable environment for the establishment and existence of individual enterprise (Hoselitz, 1952, pp. 107-108). At a later stage, maintaining the same argument, he adds one more characteristic to entrepreneurship which is absent in money-lending type namely liquidity of wealth. He states that the acceptability of the commodity created by the entrepreneur is uncertain and, therefore, the entrepreneur assumes more risk than the trading and the lending professionals (Hoselitz, 1960, pp. 64-65). In this book, he further suggests that entrepreneurship can develop in a society when its culture permits a variety of choices and where social processes are not rigid and in a situation which encourages the development of personalities interested in enterprise.
Frederick Harbison (1956) emphasising on organisation building ability defines entrepreneurship as the skill to build an organisation i.e. the ability to multiply oneself by effectively delegating responsibility to others. Harbison's entrepreneur is not an innovator like Schumpeterian ones, but he possesses leadership and administrative qualities. However, his entrepreneurship is not far from Schumpeter's concept of innovation when he lays stress on creation of new organisation through managerial skills and creativity that facilitates the economic use of other innovations to stimulate economic development.

Liebenstein (1968) classifies the entrepreneur into two board types; 'routine type' which is associated with the managerial function of the business and 'new type' which is basically of Schumpeterian type. He conceives entrepreneurship as 'input completing and gap filling' function'. The economic theory, propounded by him, defines production function completely but is silent about the person who has the knowledge about production function. Where and to whom in a production firm this knowledge is supposed to be available is never stated. In reality there exist larger gaps of knowledge of production causing a lot deficiencies in production function. It is the entrepreneurial function to make up of the deficiencies. The gaps arise because all the production inputs cannot be marketed like motivation, leadership, managerial skills etc. These are vague and their output is indeterminate. To him, the entrepreneur fills the gap by putting all inputs and marshalling them to realise final product. Libenstein identifies four characteristics with an entrepreneur; connection of different markets,
capability of making up of market deficiencies, input completing and creation and expansion of time binding input transforming entities (economic enterprise). He further states that supply of entrepreneurship is governed by input completing capacity with adequate motivational state. According to him, all the entrepreneurial characteristics are not trainable, however, training can have positive impact in increasing the supply of entrepreneurship.

The revolutionary transformation in business structure brought to the surface the inadequacies of the then prevailing economic explanation of the term entrepreneur. Francis Walker distinguishes the functions of an entrepreneur from those of a capitalist and maintains that profit is not synonymous with interest (Bhanusali, 1987, p.3). J.B. Clark states that entrepreneurial profits directly depend upon "successful introduction into the economic process, technological, commercial and organisational improvements (Dorfman, 1950). Joseph A. Schumpeter for the first time, put the human agent at the centre of the process of economic development and assigned a critical role to the entrepreneur in his theory of economic development. The introduction of a new good, a new method of production, the opening of a new market, the conquest of a new source of supply of raw material and setting up a new organisation are the changes introduced by an entrepreneur. These changes are called innovations and the person who brings about these innovations to take the economy to a higher level is an entrepreneur. "The carrying out of new
combinations we call enterprise and the individual whose function is to carry them out we call entrepreneur" (Kilby, 1971, p. 54).

From Cantillon to Marshall entrepreneurial concept was treated more or less in the same manner. Although the entrepreneurial function was identified by different names, it was elevated as the fourth factor of production. But nothing was done on the supply side of this important factor of production. Moreover, the classical economists considered entrepreneurship in the context of stationary equilibrium but all of them failed to identify it as a dynamic force to economic development. It is only the second quarter of the twentieth century, modern thinking about entrepreneurship evolved that not only analyse the supply aspects but also treat the concept as a dynamic force.

**Modern Thinking**

Arther H. Cole (Cole, 1946, p. 8) viewing innovation as a "purposeful activity" has stated, "Entrepreneurial activity proceeds in relationship to the situation internal to the unit itself, to the social group that really constitutes the unit and to the economic, political and social circumstances- institutions, practices and ideas which surround the unit."

Though references to "social climate being conducive to entrepreneurial innovations" are found in Schumpeterian concept, it is Max Webber, who discusses social aspects of entrepreneurship. He maintains that the driving entrepreneurial
energies are generated by exogenously supplied religious belief (Kilby, 1971, pp.6-7). Max Weber and Schumpeter, both being influenced by Marx, present their respective theories of development in post capitalist period. To both of them, entrepreneur is the force that makes advancement possible. But Weber sees in him an "Ideal type" of the Protestant worldly ascetic, while Schumpeter regards him as a "Supernormal person". Schumpeter's entrepreneurship is considered as an analytical advance because it is more plausible to postulate appearance of supernormal ability as causes of change than to postulate the appearance of Calvin or some charismatic leader (Macdonald, 1969, pp. 379-80).

David Mclelland (1961, Ch. 9) shifts the focus from socio-economic factors to socio-psychological factors. According to him, 'achievement motivation'(Need for Achievement) is the most distinguishing feature of an entrepreneurial personality because of this, the groups respond differently to similar conditions. In developed countries people are evaluated in terms of achieved status rather than in terms of ascribed status. Tracing n- achievement to child rearing practices and parent child relationship, he finds a significant positive correlation between n-achievement and economic growth. He further has gathered data to show an inverse relationship between achievement and amount of capital required per unit of output (McClelland, 1961, p.423).
Everett E Hagen (1962) views economic development as a process of technological change which is brought about by the technological creativity of individuals in a society. He postulates that the sequence of changes separating a typical authoritarian personality of a stable traditional society from the emergence of creative entrepreneurial activity is as follows.

Traditional authoritarian child rearing. → Non innovative Personality → status withdrawal

Mother's rejection of father and husband ← Suppression of values and retreatism ← Anger and anxiety

Creative son → Relative social background → Entrepreneurial behaviour

Hagen believes that a key factor to economic development is the presence of "creative" personalities—individuals who are willing and have the capacity to bring about technological change. He attributes the lack of innovation in present societies to the typical social structure operating through the child rearing practices, generation after generation and producing authoritarian type of personalities who are non-innovative in nature. The state of affairs continues unless some exogenous factors
deprive these groups of the social status. Hagen’s key factor—creative personality or groups—emerges when the members of some social group experience” the withdrawal of status respect.” Withdrawal of status respect gives rise to four different responses and creates four different personality types, i.e., (a) retreatist (continue to work in the society remaining indifferent to his work and position), (b) retualist (adopts a defensive behaviour and acts in the ways accepted and approved in the society with no hope of improving his position, (c) reformist (who foments a rebellion and attempts to establish a new society), and (d) innovator (creative individual likely to be entrepreneur). Hagen like McClelland attributes creative personality as the source of entrepreneurship. The difference between the two theories is that Hagen attributes status withdrawal as the main cause for the emergence of creative personality. Though his analysis (based on backward areas of Asia and Latin American Countries )is interesting has very little practical/policy implication. Unlike McClelland’s his theory fails to suggest the policy variables in designing entrepreneurship development programmes.

Thomas Cocharan (1965, pp. 26-27) has tried to theorise that an entrepreneur is a model personality in the society. He represents certain, ascertainable levels of education, social status and types of cultural conditioning that produce roughly definable model personality. To him, the individual’s performance as a businessman is influenced by three factors; his own attitude towards occupation, the role
expectations held by sanctioning groups and the operational requirements of the job. Society's values are the most important determinants of these factors.

Frank Young (1971) accepting Schumpetarian definition of entrepreneur postulates a causal sequence where 'transformation codes' are developed by the solidarity groups to improve their symbolic position in the larger structure and become entrepreneurs. His interpretation treats individual level entrepreneurial characteristics as the 'underside' of a group level pattern. Young maintains that entrepreneurial activity is generated by particular family background, experiences, as a member of certain kind of groups and as a reflection of general cultural values. The above personal characteristics as the forceful reflections of the antecedent conditions constitute an independent factor, which mediates between structural factors and consequent economic growth. His group theory emphasising on the supply aspect of entrepreneurship suggests that a group or subgroup experiencing low status recognition or denial of access to important social network and being in possession of a greater range of institutional resources than the other groups in the society, become reactive to improve its symbolic position. This reactivity brings a change in the economy and change-agents are entrepreneurs.

John H. Kunkel (1965) with a behaviouristic approach maintains that the societal rewards to the accepted activities act as reinforcing stimulus increasing the probability of repeating that behaviour pattern. This pattern of social behaviour is
entrepreneurial behaviour. At a later stage, he has elaborated his behaviouristic model of entrepreneurship by stating four structures (limitation structure, Demand structure, Opportunity structure and Labour structure) which are found within a society or community and are important determinants of industrial entrepreneurship. He further proposes the hypothesis that the incidence of entrepreneurship depends on both the objective and perceived configuration of the four structures. Any discrepancy between objective structures and the actual incidence of entrepreneurs will be due to inadequate or the incorrect perception of the various structures... it is evident, however, that entrepreneurship depends on rather specific combinations of circumstances which are difficult to create and easy to destroy (Kunkel, 1970, p. 267).

Functions of an entrepreneur:

Researches with a variety of background such as economics, psychology, sociology, management and anthropology have contributed substantially to the emergence of entrepreneurship as one of the most promising fields in business education and research. Stevenson and Jarillo (1990) have identified entrepreneurship literature to address three basic questions:

- the outcome of entrepreneurial activities (Baumol, 1993)
- the cause of entrepreneurial activities (Baumol, 1990, Shapero and Sokol, 1982)
- the process of entrepreneurship (Aldrich and Zimmer, 1986; Ramachandran and Ravinarayan, 1993, Bhave 1994)
With regard to the functions of an entrepreneur the following broad views are synthesised from the traceable entrepreneurship literature.

Economists' views

In the views of the economists entrepreneurial functions are supposed to be directed to materialistic objective of wealth maximisation though its foundations may be associated with high order of spiritual, patriotic, social, psychological and ethnic values. Entrepreneur's role is regarded as a form-giving activity - giving form to the wishes of the society to ideas, to the efforts of the factors, and also to the raw materials to be processed through.

J.B. Say describes the function of the entrepreneur as an activity to rationally combine the forces of production into new producing organisation. J.S. Mill includes superintendence, control and direction in entrepreneurial function. Superintendence means to assemble the means to turnover maximum at minimum cost and supervise and control function refers to the flow of goods, use of finance, utilisation of machinery and the activities of the subordinates whereas direction refers to keeping the organisation constantly on the path of his goal. He performs activities of producing in present what the future will demand. Dwelling on organisation building skills he emphasises on managerial and administrative functions of an entrepreneur. Marshall assigns to the entrepreneur, the function of risk bearing, innovation and management whereas Cantillon assigns him the task of uncertainty bearer who buys at fixed price and sells at an uncertain one. Kirzner (1973, p. 81) views entrepreneur as a force. It is
the alertness to unnoticed opportunities which creates a tendency of the ever circular flow of equilibrium. Leibenstein (1968, p.75) assigns him four tasks connecting different markets, making up of market deficiencies, completing inputs and creation of economic units to transform inputs.

Schumpeter assigns entrepreneur a single function "innovation" that covers introduction of a new product, a new method of production, a new market, a new source of supply, a new organisation of any industry for creation of a monopoly position or breaking it. Thus, the function of entrepreneur is to reform or revolutionise the pattern of production. Assigning a single comprehensive function, Schumpeter has given a social context to the activity, a psychological objective to be attained and a functionality spearheading development of the community. Hoselitz on the other hand emphasises on decision making and states that the primary function of entrepreneur is the investment of time, capital and energy in economically significant pursuits. Harbinson enumerates four functions; the undertaking or managing of risks and handling of economic uncertainty; planning and innovation, co-ordinating administration and control and routine supervision. Redlich's three fold division of function is (a)capitalist-employing the factors and buying raw materials, setting up the organisation; (b) managerial innovation, supervision and co-ordination of productive activities and (c) entrepreneurial-decision making (McClelland, 1966). Tondon (1975, p. 51) discusses the functions of an entrepreneur in the context of a developing economy where business setting demands a proper understanding of economic, legal,
political and cultural environment. Accordingly, the entrepreneur must possess (a) capacity to assume risk and self-confidence, (b) technological knowledge, alertness to know opportunities, willingness to accept change and ability to initiate; (c) ability to mobilise resources and (d) ability of organisation and administration. He should have tact, patience, sagacity, power of observation and ability of discrimination. He should have also perseverance to overcome obstruction and fear. He should have the ability to pick and choose associates and subordinates and wisely delegate authority to inspire loyalty. Tondon describes entrepreneur as an “ideal type” rather than a social type”, who acts as a catalyst in the process of economic development.

Economic functions described above isolate the entrepreneur from his environment, particularly social milieu and political structure in which he functions. Maximisation is taken as the sole objective of his endeavour. It seems to be conveniently assumed that he is abundantly provided with all resources and market readily accepts what he puts into. Reality is however, full of hurdles which have been ignored in the above mentioned literature. Secondly, the economists' school by and large emphasises identification of market opportunities and innovative creation of combination of resources for altering the aggregate economy whereby the entrepreneur as an individual with a particular type of social and psychological characteristics assumes less importance.
Sociologists' View

Sociologists view the entrepreneur as a role performer corresponding to the role expected by his society. Societal expectations are exhibited through customs and taboos, rewards and punishments, ethnic values and child rearing practices, nationalistic attitude and patriotic inculcation. The entrepreneur is conditioned by the social milieu to which he belongs. According to Peter Marris (1967), to assemble or reassemble from what is available, to have concrete imagination, to see what others have missed, and to have zest in industrial development and entrepreneurial courage are the factors that make an entrepreneur.

Although entrepreneurial activities originate from individuals, entrepreneurs are neither be independent of their immediate environment nor be so omnipotent as to carry out all the business related tasks single-handedly for a sufficiently long period of time. Entrepreneurship in economists' view is considered as synonymous with the business accomplishments of an individual. But when the business grows, the role of organisation, i.e., collective behaviour of all people in the organisation becomes critical to the success of the enterprise. Hagen (1968), therefore, argues that entrepreneurship is not only the conceiving of the business idea behind a venture but also designing and maintaining the organisation for carrying out the business. Environmental variables also matter not only in providing opportunities to exploit the imperfect markets as argued in the economists' approach but also in creating a conducive ground where entrepreneurial activities flourish (Stevenson and Jarillo, 1990). Flavia Derossi
(Bhanushali, 1987, p. 15) in this context assigns an entrepreneur the task of coordinating at every stage of the organisation - inception, maintenance and expansion. She feels that the entrepreneur needs two qualities: (a) optimistic outlook that there is a possibility of change, the environment can be mastered and he himself can introduce the required change to find difficulties, challenging and stimulating, and to thrive on them, (b) in a sphere as dynamic as industry the entrepreneur has to seize upon new problems as opportunities of testing own capabilities.

Psychologists' view

Among Psychologists, Frank Young (1971) describes an entrepreneur as a change agent. McClelland (1961, p. 216) implicitly introducing the concept of 'n-achievement' as a psychological motive states that people with high achievement have a tendency to service for success. The high achievement is associated with better performances at tasks which require some imagination; mental manipulation. High achievers do better at non-routine tasks that require some degree of initiative or even inventiveness. K.L. Sharma (1975, p. 28) maintains that entrepreneurs are the men who exhibit qualities of leadership in solving persistent professional problem, but those persons likewise demonstrate eagerness to seize unusual opportunities. They have a business-gambler's itch. T.V Rao and Uday Pareek (1979, p. 14) describe entrepreneurship as a creative and innovative response to environment. The entrepreneur is goal oriented rather than means oriented. According to them, he must
not have only a high capacity of risk taking but must have high capacity of risk sustaining which is a function of high confidence.

In sum, the foregoing description of the functions of an entrepreneur presents the profile of a functionary. Economic analysis presents him as perceiver of otherwise unnoticed business opportunity, an organisation builder, an adapter of new profitable activity and beneficiary thereof. Sociological point of view presents him to be a personality moulded by various practices of social enforcement and values inculcated in him. Psychologically entrepreneurship is a vigorous application of the person's energies towards the goals cherished for long.

The above few thoughts have contributed to an increased understanding of the concept entrepreneurship, however, a single conceptual framework or one to unify them is yet to be developed. In contemporary literature efforts are being made to develop a comprehensive and unifying theory on entrepreneurship. Ray and Ramachandran (1996) propose that the entrepreneur, environmental form/conduct, entrepreneurial choice, organisational form/conduct and organisational outcome are indispensably linked to each other and continuously influence one another at different stages of entrepreneurial development. However, till today the concept of entrepreneurship is considered as a multidisciplinary concept and the entrepreneur is considered as a human being living in an ever-changing society pursuing simultaneously economic, social, and psychological goals.
Entrepreneurship Development

There has been wide recognition that entrepreneurial development is essential not only to solve the problem of economic development but also to solve a host of social problems like unemployment, regional imbalance and economic disparity etc. Fortunately, the experiences gained from developing countries all over the globe support the hypothesis that entrepreneurship can be developed. The notion that creation of financial and physical facilities causes automatic flow of entrepreneurs does not hold true (Akhouri, 1977). In addition to these facilities there are many other factors which are crucial to the development of entrepreneurship. These factors have been emphasised in various entrepreneurship development models proposed by some noted authors in the field.

Personality Factors:

McClelland (1961, 1965) explaining entrepreneurial growth in terms of need for achievement has proposed a psychological model wherein he emphasises motivation as one of the most important variables to promote entrepreneurship. He further states that merely providing help to poor would not solve the problem of development. It is the enhancement of their needs for higher achievement that shall work to exploit the available opportunities in the society. This can be done in a fairly economical way by arranging short term intensive courses lasting for about 10 to 20 days under optimal conditions. An evaluation of the impact of the Achievement Motivation training programme (1963 in SIETI) is quite encouraging. In these training
programmes, organised by SIETI (Small Industries Extension Training Institute), Hyderabad in Assam and Andhra Pradesh under the Employment Promotion Programme, the motivational inputs have been found to have given considerable confidence to a sizeable number of perspective entrepreneurs (Rao, 1965). The motivation input is not meant to bring about a personality change, its purpose is limited to the extent of influencing the thinking of perspective potential youth in a manner so as to encourage them to look upon industrial entrepreneurship both as rewarding and challenging. The model proposed by Maclelland suggests that to become an entrepreneur one should have a driving need or motive and with a pronounced achievement mind-set. Hagen (1962), in his model, attributes creative personality as the source of entrepreneurship. His model which has very little practical implication lays stress on a sequence of changes that separates a typical authoritarian personality of a stable society and many decades later makes him a creative personality.

**Environmental factors:**

Though achievement motivation is an important input in entrepreneurial development, it may not be enough to induce persons with high n-achievement to take entrepreneurial tasks. It is essential to create opportunities for the creative personalities to materialise their creativity. In the context of India, Medhora (1965, p. 580) and Patel (1987) attach significant importance to environmental factors as essential for growth of entrepreneurship. In Marxist-oriented theories of
underdevelopment, the stress was, therefore, no longer on the values and social
prerequisites of industrialisation, but rather on socio-economic structures and the
relations of exploitation embodied in these (Gorter, 1996, p. 43). It is, therefore, in
underdeveloped regions, where industrial activity is not traditional, the political
system can play an important role by providing incentives and establishing institutions
to initiate and substantiate this activity. Not only the political commitment to
economic development, but also its active role is necessary for development of
entrepreneurship. The political structure plays a supportive role in entrepreneurial
development in the following ways:

- Provision of a legal framework: to manage multiple relationships and create a
  favourable industrial climate. This ensures security to all the stakeholders including
  the entrepreneurs who are actively engaged in industrial development. Not only the
  legislations, but also general law and order situation in a region or even in a city
  affects the entrepreneurs decision with regard to starting, shifting or growth of an
  organisation.

- Provision of policy framework: to promote and guide the industrial activities but
  assigning role to the entrepreneurs and reducing the degree of risk to be
  encountered by them. This is necessary in the case of a small scale entrepreneur as
  his experiences, resources and span of diversification is very limited. The essential
  entrepreneurial function of assuming business risk gets reinforced when it is
  associated with a reward structure emanating from a congenial policy framework in
  force.

- Provision of infrastructural facility such as utilities, communication facilities etc.: to
  utilise entrepreneurial talents in the region devoid of industrialisation. This
factor like the one above also acts as a rewarding force by reducing the cost of production and solving a host of fundamental hurdles.

- Provision of supporting institutions to take care of financial, marketing and technical needs of the entrepreneurs.

**Entrepreneurial Development Models:**

The models suggested for the development of entrepreneurship can be stated in the following categories.

(a) *The Psychological Models:* McClelland (1961) while giving significant lead in identification of determinants of entrepreneurship ascribed more importance to achievement motives which related to child rearing practices. But at a later stage in his book with D.G. Winter (Macmelland and Winter, 1969) he has altered his earlier proposition on the importance of child rearing as the intrinsic determinant of the achievement motive and now change in motivation is seen primarily as a result of the ideological arousal of latent need for achievement among adults. Having identified achievement orientation as the key variable in the development of entrepreneurship, he suggests motivation training programme (McClelland, 1966) as the policy measure which will make them really willing and eager to exploit the new opportunities provided. Hagen (1962) laying emphasis on creative personality as a causal link in entrepreneurial behaviour and status withdrawal as the determinant of creative personality states that the status withdrawal occurs in the natural evolutionary process of the society and not by structured deliberate attempt.
Kunkel (1965) in his behaviouristic model suggests that entrepreneurial behaviour is a function of the surrounding social structure both past and present, and can be influenced by manipulable economic and social incentives (Kilby, 1971, p. 14).

(b) *The Sociological Models:* Youngs (1971) theory of entrepreneurship as a theory of change is based upon society's incorporation of reactive subgroups. The reactivity of a sub-group which experiences low status in the larger society will lead to entrepreneurial behaviour if the group has better institutional resources than others in the society at the same level. Young's model of entrepreneurship suggests creation of supporting institutions in the society as the determinants of entrepreneurship.

(c) *The Integrated Model:* Rao (1975) suggests a series of factors in an additive model and the optimal presence of these factors lead to entry point of entrepreneurship. These factors include, entrepreneurial disposition, perception, acquisition of personal resources and material resources and finally, starting of the business. Emphasizing on entrepreneurial disposition, he includes in it:

- need for motive; the dynamic of which has the greatest possibility of achieving the goals for a new entrepreneur.
• long term involvement has the goal either at thinking level or at activity level in the entrepreneurial activity that is viewed as a target to be fulfilled.

• resources, personal, social and material, which the entrepreneur thinks are related to entry and success in the area of his entrepreneurial activities.

• socio-political system to be perceived as suitable for establishment and development of an enterprise.

According to Rao's model, the above factors work in an additive manner, result in entrepreneurial disposition that lead to the acquisition of material resources and starting the business.

Venkata Roa (1975) has suggested entrepreneurship development in five stages which are as under:

(i) Stimulation - Creation of industrial atmosphere, policy statement emphasising the role of small industry, wide publicity of industrial development programme, formation of special schemes and creations of support institutions. This stage has particular significance to stimulate the interest in the backward region.
(ii) Identification: Identification of perspective entrepreneurial force from among the moral artisans, factory workers, persons who have formal training in engineering and technology and in business industrialisation and management.

(iii) Development of organisation for motivation and managerial training programmes along with advice on technology, formulation of bankable projects, location etc.

(iv) Promotion and provision of developmental facilities, services and incentives etc. by supporting institutions.

(v) Follow up and reviewing the policies and programmes of the government and seeking of new ways with a lead to make it more effective.

Akbori (1977) suggests a chain of activities for the promotion and development of entrepreneurship that include stimulatory support and sustaining activities. Stimulatory activity refers to all such activities that stimulate entrepreneurship in any society, support activity refers to all activities that help entrepreneurs for establishing and running their enterprise and sustaining activities refers to those activities that help in continued, efficient and profitable functioning of an enterprise.
Entrepreneurship: Studies Abroad

Many research works have been undertaken in various disciplines. A review of these would improve our understanding of this catalyst of development.

Harris and Rowe (1970, p. 310) have enumerated the following factors causing impediments to entrepreneurial development in Africa; difference between social world in which an African entrepreneur lived and economic world in which he had to operate (Marris, 1967, p. 11) underdeveloped and uninstitutionalised ways of gaining knowledge, recruiting skills and borrowing money, absence of commercial experience, lack of interregional mobility, oligopolistic market conditions (Miracle, 1968, p. 402-3), management deficiency resulting in low level of capacity utilisation; poor standard of financial management and little propensity to innovate (Haris & Rowe, 1970, p. 310). Marris (1971) remarks that success of African entrepreneurship depended upon their ability to separate domestic matters from business matter. Peter Kilby (1971, Ch. 10, Section-IV) maintains that socio-cultural factors impeded development of entrepreneurial characteristics in Lagos whereas Grayson (1972, p. 22) gives emphasis on exogenous circumstances. To Grayson, the potent and latent entrepreneurial capabilities in underdeveloped countries can be developed by development of contracts breaking the vicious circle of isolation and widening the horizon of experience.
French entrepreneurs are considered conservative, security minded, valuing independence in preference to growth, cautious, thrifty and Calvinist. Mexican entrepreneurs are regarded as the outcome of the Hagenian law of subordinate group. Landlords being deprived of wealth and status as a result of a revolution embraced the industrial vocation like the lower samurai group in Japan in Tokugawa regime (Bhanusali, 1987).

Alexander (1961) understands, Hagen's theory to have acted in emergence of Greek entrepreneurs. The reforms introduced by Kemal Ataturk withdrew prestige and status of some groups of people in Greek society. These groups with lost status to enjoy some economic incentives were attracted to entrepreneurial opportunities. Although Hagen's theory holds true in case of Greek entrepreneurship, the time lapsed between 'loss of respect and rise of entrepreneurship was not as long as that considered necessary by the theory. When it comes to success status of the Greek entrepreneurs, they were constrained with high cost of production, attitude to maximise immediate profit, attitude of open hostility towards organised labour, inability and unwillingness to deal effectively with problems and insufficiency of their education for their role as manager.

Kozo (1968) and Zazu (1964) describe Japanese entrepreneurs as community centered. Revolutionary reforms introduced by Meiji emperor disappointed lesser samurai of their status and substance and they obeying Hagenian law of subordinated
group, provided economic leadership in entrepreneurial activities (Kozo, 1968, pp. 144-45). Strong sense of discipline inherited from feudal period, loyalty, public mindedness and national unity coupled with high degree of diligence and perseverance made the Japanese entrepreneurs distinguishable from others.

In the context of Indonesia, Higgins (1961) notes that the Balinese had a 'group focused image of change', whereas Javanese had an 'ego focused image of change'. In Pakistan strong economic incentives created by Korean boom, contraction of foreign trade, conditions of scarcity, import of machinery, subsidised by an under valued rate of exchange were sufficient to develop a good numbers of industrial entrepreneurs. A social and political environment conducive to growth helping some groups or individuals in touch with the market made economic incentives effective (Papanek, 1967, p. 54). Altaf (1984) finds that decentralisation of management practices, dispersal of location, family support, competitive spirit and change in motive from profit to patriotism and independence account for the success of the entrepreneurs in Pakistan.

**Entrepreneurship Researches in India**

Scholars from different background have shown great interest in investigating into various aspects of entrepreneurship in India. In order to create a contextual background for the present research, it will be appropriate to have a brief review of some of the earlier works done so far in the field.
James J. Berna (1960) taking a sample of fifty light engineering manufacturing firms from Madras and Coimbatore observes that the initial entry into industry was open to persons of different social standing and economic positions and thus, refutes the popular belief that caste and tradition play an important role in emergence of entrepreneurs. His study further reveals that most of the units have grown from small to medium size on the face of formidable obstacles. Rating entrepreneurship displayed in that region as a fairly high quality, he is optimistic that should certain help and technical management provided, the performance of those entrepreneurs could be improved and their contribution to industrial progress be enhanced. Berna further points out that the medium scale enterprises are neglected by the government as the development efforts are more focused on the small scale units.

Kennedy (1962) uses Weberian model to analyse the commercial bent of the Parsi mind, the group which dominated the industrial scene in the latter half of the nineteenth century. Correlating the values associated with economic activity and with scientific pursuits to the values as expressed in Zoroastrianism, he maintains that Zoroastrian teaching has influenced the emergence of Parsi entrepreneurship.

Guha (1970) with a historical review of development of Parsi entrepreneurs during 1750-1850 adds few more dimensions to the success of Parsi entrepreneurship. He accounts several reasons for their success in business and industry and indicates their interest in exploiting new markets, acquisition of working knowledge of English
language and adaptiveness to changed political circumstances. He identifies their greater ability to adjust themselves to European power and relative non-involvement in earlier civil and military administration as the explaining factors of Parsi entrepreneurial success.

Sing (1966) drawing a sample of light engineering enterprises finds that the quality of the entrepreneurs is governed by their response to change and attitude towards investment. Jha (1970) in his thesis finds that favourable economic environment has played a positive role on development of entrepreneurship in Bihar. Change in social structure as a result of education and profit motive have compelled the young entrepreneurs from trading community to change from traditional occupation and remain independent from family ties.

Gaikwad and Tripathi (1970) focusing their study on the small entrepreneurs of Tanuku region of West-Godavari district in Andhra Pradesh point out that bold, dashing, and pragmatic personality, high motivation, managerial competence are the prerequisites for successful entrepreneurship. Majority of the entrepreneurs included in their sample had no technical knowledge, nor strong economic, base nor strong political connections. The interesting finding of the study is that the traders in the region very well realise the scope of industries and the relatively higher status enjoyed by the industrialists, but hesitant to take up the industrial venture owing to the requirement of huge capital, managerial and technical skills and long gestation period.
The study has an important policy implication as the traders are often looked upon as the potential entrepreneurs.

Pathak (1972) maintains that interplay of factors like favourable, timely and appropriate government policies and quick adaptability of the entrepreneurs are responsible for all round growth of entrepreneurial talent.

Javillonar and Peters (1973) in their study relating to small manufacturing view entrepreneurship in India as a family rather than an individual phenomenon. They are sceptical about the application of McClelland n-achievement proposition to an individual's identification and orientation. Their data strongly support the hypothesis that the entrepreneurship among the Indian small scale manufacturers may be more meaningfully viewed as a situational phenomenon tied to the type of ownership of the business enterprises than as an individual phenomenon. Further, the extended family system also facilitates an individual's entry into entrepreneurial role.

Nandy (1973) carrying an intensive study of small scale entrepreneurs and a matching group of non-entrepreneurs from an urban ward of Howrah in West Bengal compares the enterprising and non-enterprising cultures. He finds that in an enterprising community, entrepreneurial exposures contribute materially to entrepreneurship, particularly, at the point of entry and survival in the business. In his study, n-achievement is found to be the best predictor of entrepreneurial motive
followed by n-power and the sense of efficacy. The significant positive association between n-power and entrepreneurship in his study is not only surprising, but also a challenge to the popular belief.

A study (SIETI, 1974) of 61 small entrepreneurs in Hyderabad and Secunderabad reveals that the most important reason for starting a small scale industrial unit is the economic gain followed by ambition, social prestige and social responsibility in that order. The factors like younger age, formal education, urban background, experience in industry, high levels of aspirations, risk taking and adoption propensity are some other factors that are found to be positively associated with the quality of entrepreneurship. Other factors like high monthly income, technical education, being the eldest or first born male child in family, membership of organisations and need of achievement are not associated with the entrepreneurship. The study hypothesises six stages (awareness, interest, preparation, trial, evaluation and adoption) in the process of innovation of a small scale industry and reveals that all the entrepreneurs have not passed through all the six stages and the number of sequence is not constant in the case of all.

Sharma (1975) drawing a sample of 100 small scale entrepreneurs in U.P. reveals that factors like education, age, manufacturing experienced and religion are not significantly related with entrepreneurial role conformity. The entrepreneurs coming from non business families had higher degree of entrepreneurial orientation
and commitment than the entrepreneurs coming from business families, business castes, and business region. But the later has more spatial expansion of markets and higher sales. Further, the low entrepreneurial commitment as compared to entrepreneurial orientation is attributed to non-conducive socio-economic milieu, non-commitment of workers and officials and shortage of raw material and capital.

Another study of Prof. K.L. Sharma (1976) with respect to inter-state patterns of entrepreneurial performance by selecting samples from Punjab and U.P. reveals that inter-state variation in the industrial climate gives rise to variation in entrepreneurial performance. While stating "better the climate better the performance", he affirms that socio-economic background matters, to some extent for one 'entry into manufacturing business. In yet another study (Sharma, 1978), he has surveyed 245 small entrepreneur from Punjab, U.P and tested a model for entrepreneurial development. Envisaging entrepreneurship growth as a process of four stages viz, entry, expansion, perception of stability and commitment to sustained growth, he concludes that the role of government policies and its implementation become crucial to sustain the interest of the entrepreneurs in continuous expansion of business.

Akhouri (1971) enumerated four basic features of entrepreneurship, i.e., propensity to take risk, strong need for achievement, economic insight and management skill.
Thomas Timberg (1978), analysing the theory of entrepreneurship with respect to the Marwari community's success in business and their late entry into industry, concludes that as entrepreneurs the Marwaris have performed crucial roles in the development of the industrial and commercial economy of northern India.

R.A. Sharma (1980) notices two streams in entrepreneurial growth. In the familiar spheres the entrepreneurship is dispersed among various communities and, in other spheres, it is thinly spread among socially well known communities. He concludes that strong desire to do something independent in life, technical knowledge or manufacturing experience, financial assistance from institutional sources, business experience in the similar or related lines, accommodation in industrial estates and heavy demand are the factors that induces the new and small entrepreneurial class. Louis' (1982) study in Coimbatore District of Tamil Nadu also reveals that earlier job in a similar unit prepares individuals for independent venture.

Patel (1981) studying 139 small scale industrial units in Gujarat on the basis of profit performance of different caste groups reveals that entry into industry and success need not be a privilege of a few traditionally dominant groups. Also, the performance and income backgrounds of entrepreneurs are not distinctly related while relevant experience is found to hold key to the success of an entrepreneur. The contribution of higher level of education in forming entrepreneurial attitudes and behaviours appears to be limited.
Despande (1982), in his study has analysed a sample of 90 SSI units in the Marathwada region of Maharashtra, reveals that most of the entrepreneurs have emerged from the upper castes and also those who had better socio-economic positions in the society. The industrial entrepreneurship was a result of collective ambitions and aspirations of the family. The entrepreneurship in the region is found to be initiative rather than innovative.

Upadhyay (1983) conducting a study in Poona city finds that success of entrepreneurs is due to incentives offered by development agencies, family upbringing from particular caste and craft, providing attention to financial function and formal education.

Bhanushali (1987) in his study of 125 small scale engineering units in Kolhapur district of Maharashtra finds that caste, education and parental occupation had greater impart on attaining higher degree of entrepreneurial success.

Taub and Taub (1989) in a comparative study of 192 SSI entrepreneurs in Orissa, Punjab and Tamilnadu find that entrepreneurial activity is not limited to a particular caste or community. However, some significant differences have been found among the sample entrepreneurs of the three states. The study has come to the conclusion that the entrepreneurs from Punjab are likely to be more upwardly mobile than those from the other two states.
A study of 108 SSI units in Punjab (Bhatia and Sharma, 1989) reveals that specific occupations and family background of entrepreneurs were helpful in improving their performance. Further it has been found that the caste affiliations are still relevant in the industrial enterprises. The entrepreneurs in low investment group have been found to be more successful than those in other groups.

Tewari, Philip and Pandey (1991) analysing a sample of 120 units drawn from Karnataka find that educational level, technical qualifications, formal training and previous work experience of the entrepreneurs are not significantly associated with the performance levels of their units. Business family background, economic status before setting up of the units have influenced the entrepreneurs to do better. Own ambitions, desire to be self-employed are the important motivating factors revealed by this study.

Mishra and Bal (1997) by taking a sample of 110 entrepreneurs from major towns of Orissa concludes that strong desire to something independently in life, business experience, financial and moral support from family and relatives are some important factors that influence the entry into the entrepreneurial activities. Liberal financial assistance and infrastructural facilities as external factors were also found by them to be equally important for influencing the entrepreneurs for entrepreneurial activities.
Summary

The review of literature available in the field of entrepreneurship suggests that entrepreneurship is a perennial and perpetual process of development and reformation in every field of socio-economic endeavour. Entrepreneur is a human being, who possesses the qualities of entrepreneurship. Enterprise is created by the creative application of entrepreneurship in economic process by the entrepreneur. Thus, entrepreneurship connotes the philosophy of enterprise promotion, creation, proliferation, modernisation, and innovation in the field of commerce, trade and industries. Hence the basic ingredients of entrepreneurial philosophy are as follows:

- Entry stage relates to the perception of a gainful opportunity to establish a commercial, industrial and service project for gainful pursuits.
- Risk bearing stage relates to the entrepreneurial capacity to bear economic, social, technological and environmental risks.
- Innovative stage relates to the discovery of new methods of production and technology for producing a variety of quantitative and qualitative goods and services for the community at large.
- Operational stage relates to the assembling of relevant facilities for the flotation of the conceived project.
- Managerial stage relates to the theory and practice of entrepreneurial functions and decisions and running the project as a profitable, and growing concern.
- Maintenance stage relates to the rehabilitation and modernisation of entrepreneurial obsolescence inherent in the organisation.