Chapter 1

ENTREPRENEURIAL DEVELOPMENT IN INDIA
Enterprise is probably as old as human history. The spirit of enterprise makes man an entrepreneur. In fact entrepreneurs are persons who initiate, organise, manage and control the affairs of a business unit by combining the factors of production for supplying goods and services. It may pertain to agriculture, industry, trade or other profession. As such the development and under development is the reflection of the development and under-development of entrepreneurship in the society. For healthy development in agriculture, industry trade and any other sphere of an economy, there must be men and women who possess initiative, derive, ambition far-sight and imagination to break through traditional barrier, overcome social inertia and transform theory into practice. Individual performing these functions are the entrepreneurs and their performing these functions are the entrepreneurs and their enterprising ability and talent can be called entrepreneurship.

Concept of Entrepreneur and Entrepreneurship:

The word entrepreneur has a interesting history and it appeared first in French long before the emergence of any general concept of entrepreneurial function. The early

sixteenth century men engaged in leading military expeditions were referred to as entrepreneur\(^1\). In the simple term it can be explained as that the term entrepreneur was used for Army Leaders. In the 17th century it was extended to cover Civil Engineering Activities such as construction of road, bridge and harbour and fortification contractors. The same term was later applied to architects\(^1\).

Oxford English Dictionary (1897) defined entrepreneur as the director or manager of a public musical institution, one who, gets up entertainments, especially musical performance. Not until its supplement appeared in 1933 did the dictionary recognise that the word had a place in business and would mean "one who undertakes an enterprise especially a contractor .... acting as intermediary between capital and Labour". The Concise Oxford Dictionary defines entrepreneurship as "readiness, initiative and daring for an undertaking".\(^3\)

Richard Cantillan, a French Banker was probably the first to deal with an entrepreneur in the mid of eighteen century. Cantillan defined the entrepreneur as one "who buys

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factor services at certain prices, with a view to selling their product at an uncertain price in the future, and as such becomes a bearer of an uninsurable risk.¹ Entrepreneurs carry on the production and exchange of goods at risk facing the possibility of bankruptcy, when the demand for their product is depressed.

Frank knight defined entrepreneurship on similar way. He pronounced the theory that the entrepreneurs are specialised group of people who bear risks and deal with uncertainty. According to him "entrepreneur is the economic functionary, who undertakes such responsibility as by its very nature cannot be insure, nor capitalised has salaries, he also guarantees specified sums to others in return for assignments made to them."² But to Adam Smith, the father of Political Economy, the entrepreneurs was a proprietary capitalist, a supplier of capital and at the sometime working as a manager intervening between the labour and the consumers. Adam Smith also treated him as employer master, merchant, and undertaker but explicity identified him with capitalist, probably in view of the english economic background.³

J.B. Say identified entrepreneur as an organiser and speculator of enterprise. According to him "the entrepreneur is an economic agent who unites all means of production..... the labour force of the one, the capital or the land of the other and who finds in the value of products, which result from their employment, reconstitutions of the entire capital that he utilises and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself. He stressed the function of capitalist is to finance the enterprise whereas entrepreneur is an organiser and speculator of business enterprises.

Walras defined entrepreneur as an agent who buys raw materials from other entrepreneurs, hires land from land owners, personal aptitudes from workmen, capital goods from capitalist and sells the products that result from this co-operation or combination of these services his amount. Walras's view reveals that entrepreneur is an organiser who performs productive process by combining the various factors of production, but he ignored the risk bearing character of entrepreneurship without which it is not possible to make any significant break through in the course of time.

Joseph A. Schumpeter probably is the major contributor to the literature on the conceptualisation on the entrepreneur. For the first time he identified human agent at the centre of process of economic development. He considered entrepreneur as an innovator, who carries out new combinations to initiate and accelerate the process of economic development. Innovations according to him occur in the following five forms.

1) The introduction of new goods - that is, one with which consumers are not yet familiar or of a new quality of goods.

2) The introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concern.

3) The finding of a new market, a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

1. Murthy BEVV Narasimha, op. cit p.5.
4) The conquest of a new source of supply of raw materials or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.

5) The carrying out of the new organisation of any industry, like the creation of a monopoly position or the breaking up of a monopoly position.$^1$

Thus according to Schumpeter, entrepreneur is a person who foresees the opportunity and tries to exploit it by introducing a new product, a new method of production, a new market, a new source of raw materials on a new combination of factors of production. He read not to be a capitalist nor manager.$^2$

The classical and neo-classical scholars did not highlight the problems of under developed countries in their definitions of entrepreneur and entrepreneurship, but modern scholars have adopted the balance as well as practical approach in understanding the concept of entrepreneurship.

Entrepreneurs in underdeveloped countries are faced different types of problems as compared to developed countries like imperfect market and lack of skilled labour and capital. It should be considered by modern scholars in their definitions of entrepreneur and entrepreneurship. The entrepreneurs of developing countries have to perform multiple functions to run enterprises successfully.

Tandon has defined entrepreneur as "an especially talented and motivated person who undertakes the risk of a business by arranging and combining the factors to establish it and who sees and visualises opportunities for introducing and accepting the new ideas with regard to production technique, nature of products, form of organisation, acquisition of new managerial personnel, changes in administrative organisation, new source of plan for expansion of the enterprise. He need not be a person who employs his own capital; he need not be a scientist who produces machines. But he is a person who knows the art of changing the production function for using the economic potential of various factors of production."

In a nutshell, entrepreneurship involves a whole range of aptitudes and capabilities of an enterprising

1. Tandon, B.C., Environment And entrepreneur, Chagh Publication Allahabad, 1975, p.43.
person like the capacity to bear risks to forecaste prospects of an enterprise, to organise various factors of production to manage various affairs of business, to innovate or to initiate new things confidence and competence to meet unforeseen and adverse situation etc.¹ Entrepreneurs are persons who initiate organise and control the affairs of business unit that combine factors of production to supply goods and services whether the business pertains to industry trade as profession.²

From the above analysis of the concept of entrepreneur and entrepreneurship it is obvious that the writers have given different views regarding functions of an entrepreneur. Economists like cantilon J.B. Say, Knight and other stressed risk bearing as the specific functions of an entrepreneur. According to Marshall the main functions of an entrepreneur were to manage and organise. Schumpeter recognised innovation of enterprise as the important functions of an entrepreneur. While modern economists have observed that an entrepreneur has to perform multiple functions for successful operation of an enterprise.

¹ Gupta M.C., op.cit.,p.34.
Arthur H. Cole described an entrepreneur as a decision maker and described the following functions of an entrepreneur.

1. The determination of those objectives of the enterprise and the change of those objectives as conditions required or made advantageous.

2. The development of an organisation including efficient relations with subordinates and all employers.

3. The securing of adequate financial resource, the relations with existing and potential investors.

4. The requisition of efficient technological equipment and the revision of it as new machinery appeared.

5. The development of a market for the products and the devising of new products to meet an anticipate consumers demand.

6. The maintenance of good relations with public authorities and with society at large.¹

Modern writers have emphasised all the three functions innovation risk-taking and organisation. In the initial stage of the establishment of an enterprise are may have to

1. Tandon, B.C. op.cit. 45.
bear risk manage, innovate, organise and take decisions all by oneself. He manages the day to day activities of the enterprise. He takes business decisions and works of a manager too. But as enterprise grows, entrepreneur deal with more number of workers, more complex and technical problems and more complex relationship with suppliers, customers, and government. Entrepreneurial functions are divided into number of persons specialised in their respective fields.¹

Accepting these definitions as new concepts of entrepreneur and entrepreneurship, we now shift to make an analysis of the entrepreneurial development in India.

India and other developing countries are abundently rich in natural resources but economically poor owing to lack of entrepreneurial skill and calibre. India has shortage of adequate funds, technical equipments and managerial knowledge. The skills of Indian entrepreneurs particularly handicrafts industries like textiles, enjoyed worldwide reputation in ancient times, as attested by the use of Indian muslim in wrapping Egyption mummies.¹ During the seventeenth century, there were a number of entrepreneurs in major trading areas in the Indus River

¹. Tandon, B.C. op.cit. 46.
Valley of the North Western India (much of which is presently a part of Pakistan) in the North Eastern India around the Ganges river and its tribularies, and in Southern India's coastal areas who were engaged in foreign trade. In the Eighteenth century. Indian merchants, brokers and company servants (of east India company) dealt with European companies. During seventeenth and Eighteenth Centuries, Indians were involved as financers in changing money, providing bills of exchange, loaning to Government and loaning to private parties (including Europeans).  

Upto 1850 the major economic and commercial development in India centred round the growth of British private enterprise in banking, insurance indigo plantations, steamships, cotton pressed, tea plantations and coal mines and activities associated with growing external trade with Britain. Even after 1850 upto the First World War British capital in all such Industries increased along with British entrepreneurs, Indian merchants mainly Parsis began to play

1. Ruddar, Datt and Sundram K.P.M., Indian Economy, Niraj Prakashan, New Delhi, p.144.

an important part in the growth of Cotton textile industry in Bombay and later in Kanpur and Ahmedabad. They made investments in textiles industry in which Indian Traders cum entrepreneurs could rely on domestic market. The necessary technology could be easily imported and there was limited requirement of skilled labour in which country was deficient. The unskilled labour was in demand and its supply was also easy. All these reason made it possible for the Indian enterprises to came up and spread in the textile industry.¹

In the process of investment the most important development was the Jamshad Jee Tata. The parsi entrepreneur established the first steel industries at Jamshedpur in 1911. After the attainment of success in the establishment of a steel mill by an Indian followed a wake of enterprises by Indian entrepreneurs in various other fields and as industrialisation proceeded, though at its slow pace, British and indigenous enterprises to intepenetrate many common fields and industries. Indian enterprises entered into coal mining, tea and jute industries and similarly British entrepreneurs took interest in Cotton textile industry. The growth in Industries come essentially from

¹ Tandon, B.C. op.cit. pp. 68-69.
2. Ibid pp. 69-70.
three communities the Parsis the Gujraties and the Marwaris.¹

The predominance of these trading Communities, might have lead to the growth of corporate sector in and around Bombay, Calcutta and Ahmadabad. By 1919, there were 111114 companies (not all of them industrial concerns) which were mostly functioning in an around these cities with a capital investment of Rs.290 crores. In 1945, the numbers of companies had gone up to 14859 and the capital investment had risen to Rs.389 crores. The development that took place did bring about either a degree of regional balance or major structural changes in the Indian economy. The entrepreneurs who contributed to this development were mostly drawn from known business houses and families such as Birla Tata, Dalmia-Jain, Bangur and Thapar.²

After Independence there came a revolutionary change in economic frame work of the country. The new Government took step for accelerating industrial development. The Five year plans provided the necessary framework, by which the objectives of balanced regional development and accelerating the rate of economic development have been achieved to

1. Ibid, pp. 69-70.
some what. Other policies of the government such as the policy of import substitution, the industrial policy and such other forces have also contributed to the growth of entrepreneurship during plans period.

The achievements in the industrial field during the plans period have been significant in many respects. The growth rate of industrialisation was rapid from 1950-51, to mid 60s, followed by a lower growth rate in the subsequent years. The annual rate of industrial growth has been six percent during the period 1951-85. This rate was 7.3, 6.6, 9.0, 4.7, 5.9 and 6.0 percent from the first to six plans respectively. The growth rate of industrialisation during seventh plan (1985-90) was 8.5 percent.¹

The industrial entrepreneurial function has been facilitated by increased production of total industry inducements to small scale industries and the formation of industrial estates.² With this background of entrepreneurial development in the country, we will now examine the development of entrepreneurship in U.P.

Entrepreneurial Development in U.P.

Uttar Pradesh forming part of the great Indo-Gangetic plain in India has been the bad rock of Indian civilisation since millenia past. Endowed with rich natural resource, salubrious climate and fertile agro-climatic condition. U.P. is the culmination of human endeavours in fields diverse cultural, social, economic and religions.

Uttar Pradesh spread over 294411 square kms is the fourth largest state in the country after M.P. Rajasthan and Maharashtra. It covers about 9% of the total area of India. It is situated in tropical region between 23°52 and 31°18 north of the equator Tibet and Nepal on the north, Himachal Pradesh on the north west, Haryana on the west, Rajasthan on the south west and Bihar on the east. There are 63 districts in U.P.

According to the provisional figures of the 1991 census the population of the state was 138760417 accounting for about 16.44 percent of the country's population. Uttar Pradesh occupied 27th place in literacy amongst the states and union territories in India. The rate of literacy was 41.71 percent in 1991 against all India rate of 52.11.

The density of population was 471 per sq. km. as against the country's 267 in 1991.  

The distribution of population by religion was Hindus 83.3%, Muslims 15.9 percent, christians 14 percent and sikhs 0.04 percent in 1981 of the state's population, scheduled castes and scheduled tribes accounted for 21.2 percent and 2 percent respectively. The Government has listed 66 castes as Backward classes but no population data about there is available.

Uttar Pradesh is one of the industrially backward states in the country. Despite covering an area of about 3 lakh sq. kms. It occupies an insignificant place on the industrial map of country. Keeping in view the urgent need of rapid industrialisation, many steps have been initiated to accelerate the industrial development of state. The government of the U.P. has framed various programmes and set up a number of institutions to cater to need of existing and prospective entrepreneurs. The Industrial Development Authority is one of the most important programmes to solve the problems of entrepreneurs. Under this programme U.P. Government established New Okhla Industrial Development Authority.

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Authority (NOIDA) in Ghaziabad district. In order to develop the central and Eastern part of the state on the line of NOIDA, three more industrial authorities namely Sathariya Industrial Development Authority (SI DA) Gorakhpur Industrial Development Authority (GIDA) and Greater Noide Industrial Development Authority (GNIDA) have been formed. These authorities solve the problems of infrastructure facilities of entrepreneurs facing in this backward region. The endeavour is that chain of small and medium scale industries be set up in this area and all the necessary facilities be provided to them.

Special efforts have been made of making available the better services in view of increasing the industrial production in the state. As many as 107 industrial areas and 115 Industrial states have already been developed in view of providing better services to the entrepreneurs. Infrastructural facilities are being developed at the block level in view of making the development blocks as model point of industrialisation. Under this scheme Mini Industrial Estate are being set up in each Industrial Estate. So far 67 Mini Industrial Estate have already been established. ¹

¹ India 1991 p.943.
The economy of the state is rural based. Unemployment is rampant. Poverty is common and illiteracy is wide spread. For eradication of poverty and reduction of unemployment in the state the process of industrialisation should be initiated. Entrepreneurial development has to play the most significant role which would be possible only with the development of small scale industries, which are labour intensive and capital light. The development of small industries in the state not only will help to provide maximum employment with a minimum and limited resources invertible resources, but will develop local entrepreneurial talent and dispersal of industries to a great extent.¹ So more emphasis has been given on rapid growth of small industries in the state during the last few years, as is evident from the following table.

Table No.1:
Development of Small Industries in U.P.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of small Industries</th>
<th>Estimated production (in crore ₹)</th>
<th>No. of persons employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>68426</td>
<td>1318.00</td>
<td>691145</td>
</tr>
<tr>
<td>1982-83</td>
<td>82037</td>
<td>1518.00</td>
<td>7751.49</td>
</tr>
<tr>
<td>1983-84</td>
<td>95847</td>
<td>1846.00</td>
<td>850149</td>
</tr>
<tr>
<td>1984-85</td>
<td>110710</td>
<td>2143.00</td>
<td>920756</td>
</tr>
<tr>
<td>1985-86</td>
<td>127294</td>
<td>2464.00</td>
<td>1007830</td>
</tr>
<tr>
<td>1986-87</td>
<td>146187</td>
<td>2830.00</td>
<td>1102295</td>
</tr>
<tr>
<td>1987-88</td>
<td>167062</td>
<td>3234.00</td>
<td>1200459</td>
</tr>
<tr>
<td>1988-89</td>
<td>100212</td>
<td>3682.00</td>
<td>1312637</td>
</tr>
<tr>
<td>1989-90</td>
<td>216251</td>
<td>4186.00</td>
<td>1445060</td>
</tr>
<tr>
<td>199-91</td>
<td>246497</td>
<td>4471.12</td>
<td>1592037</td>
</tr>
</tbody>
</table>

As is reflected in the above table, the total number of small units in Uttar Pradesh was 68426 in 1981-82 which has risen to about 246497 in 1990-91. There has been 3.6 times increase in the number of small units during the period. These industries were providing employment to more than 1592037 people of the state in 1990-91 as against 691145 in 1981-82. There has been 2.3 times increase in the number of persons employed.

During the past few years, there has been faster development of engineering, chemical, electronic and agro-based industries in the state. This development of small industries is closely related to the development of infrastructural facilities, arrangements for providing inputs and guidance to entrepreneurs. In order to accelerate the development of small industries in backward region, the state government has taken some concrete steps in recent past. 45 out of 63 districts of the state have been declared industrially backward. The new strategy adopted by the state government is to strengthen the DIC's and other functionaries so that the establishment of new small industries in backward regions could be properly assisted and supervised. Highest priority is being accorded to the removal of regional imbalances by developing areas.  

end of seventh five year plan 21625 small industries units were set up. Articles worth Rs. 41.86 crores were produced by these units providing employment to 1445060 person. Similarly 939 Medium and Large Scale Industrial Units were set up. These units produced articles worth Rs.10980 crore and provided employment to 448938 persons. The total investment in these units is to be tune of Rs. 7842.98 crores.

CONCLUSION

It may be observed in conclusion that the function of an entrepreneur is a significant activity which reflects in the over all development of the country, states, and particular area. An analysis of the growth and development of entrepreneurship in India reveals that industrial entrepreneurs have played a vital role in the economic development.

In U.P. also, the growth of entrepreneurship has acted as a catalyst of development of small scale industrial units in state. The next chapter will be devoted to investigate the problems of entrepreneurship development in the state. It will also state the objectives of the study and the methodology aspects of our study. A survey of literature available on the subject will also be made. The chapter will infact provide a conceptual frame work under which the whole study will be accomplished.

1. India 1991 p. 943.