CHAPTER - III
ENTREPRENEURSHIP
-A CONCEPTUAL FRAMEWORK
ENTREPRENEURSHIP- A CONCEPTUAL FRAMEWORK

A detailed review of earlier research studies carried out in the field of Entrepreneurship was presented in the previous chapter. This chapter provides an in-depth analysis of the concept of Entrepreneurship, different dimensions of Entrepreneurship and Entrepreneurial Development in India.

Introduction

The post-independence period has witnessed tremendous socio-economic and political changes in India. These changes had their profound influence on entrepreneurial activities in different regions of the country. Several new entrepreneurial communities not known for mercantile background traditionally came forward to start economic activities in trade, manufacturing, and service sectors. Their scale of operation was generally small. But the small business has a key role to play in the Indian economy and it continues to be so in the foreseeable future. It cannot be denied that some social groups produce a large and capable body of entrepreneurs, while the others do not, due to the influence of prevailing social factors. The social base of entrepreneurship is an important factor influencing the pace of economic development. If certain social groups alone produce a large and capable body of entrepreneurs, the means for such impetus may be of relevance and use to the entire society. This view was upheld by Everett Hagen (1968) in his studies of the origin and background of entrepreneurs of several countries and regions including England, Western Soviet Union, Japan, and Latin America. In several countries, entrepreneurs have emerged from a particular socio-economic class. It has often been suggested that certain religions encourage the growth of entrepreneurial ability. The protestant ethic of the West was considered to have significantly contributed to the emergence of a new class of industrialists. The emergence of smaller firms in France was attributed to the social structure especially to their family pattern (Landes D S, 1949). A review of literature on entrepreneurship in less developed economies indicates that the entrepreneurship is confined to a few...
groups or communities. For instance in Nigeria, the Yoruba and Ibo tribes have always had a much greater achievement motivation than the Hausa and the Fulani (Nafzinger E W, 1977). In Kenya, the Kikuyu have displayed the entrepreneurial spirit, while in South East Asia, the Chinese, and to some extent the Indians were risk takers (Peter Kilbey, 1971). In Lebanon, Christians constituted a high proportion of entrepreneurs as compared to their half of the share in population. Only one-sixth of the entrepreneurial group were Muslims compared to their share of 44 percent in total population (Yousif A S, 1962). In Philippines, impressive amount of mobility was noticed among the entrepreneurs (John J C, 1965). Greek industrialists represent Greek refugees resulting from the exchange of minorities between Turkey and Greece (Alec P A, 1964). Pakistani industrialists were well represented by Muslim member of Halai Memon, Chimotti, Dawoodi, Bohra, Khoja Ismaili and Khoja Isnasharai communities (Gustav F P, 1962). The Indian entrepreneurship has always been discussed and analysed in terms of entrepreneurs’ caste and the pursuits associated with caste. The caste system has had to some extent, its effect on occupational mobility. The caste factor has to be considered in studying the entrepreneurship as the latter prefers a particular culture imbibed in certain castes. In India, some religious communities like the Parsis, Marwaris and Sindhees have an affinity for industrial activity (Guha A, 1970).

Desirable rate of economic growth of the country calls for rapid emergence of a multitude of enterprises in all walks of life. This requires the creation and maintenance of an environment that is conducive to growth of existing enterprises and would help build up a wider base of population capable of successful entrepreneurial behaviour. Of late, the concept of culture of entrepreneurship has received prominence and social scientists have observed that an entrepreneur is a product of the socio-cultural milieu. An appropriate socio-cultural environment is a pre-requisite for industrial or economic growth. The event of enterprise creation, the essential activity in entrepreneurship, can therefore be seen as a consequence of congruence.
between environmental conditions and the entrepreneurial behaviour of individuals determined by their socio-cultural background.

The religion shapes commercial life, including entrepreneurship, is consistent with religion’s role in “providing norms for social action” and in explaining and justifying “social institutions and social roles” (Berger & Berger, 1978). Religion is an integral part of a cultural system. It is important because it promotes social solidarity and reinforces social norms and values. Religion makes people share common beliefs and thus a common value system. Religion and economics have had a tenuous relationship. Scholars dating back at least to Adam Smith and Max Weber have argued that religion plays a fundamental role in shaping economics. On the other hand, only scant attention has recently been given as to how and why religion might influence economics. The omission of religion as a determinant of economic activity is startling, given the recent suggestion by Edmund Phelps that “values and attitudes are as much a part of the economy as institutions and policies are.” Some impede, others facilitate.

The entrepreneurial manifestation in a society is like the tip of an iceberg whose nine-tenth portion remains submerged into social institutions, cultural attitudes, practices and values. Factors that cause the emergence of entrepreneurship are interlocking, mutually dependent, mutually reinforcing and thus entrepreneurs are always affected by these interacting and influencing variables. Religion and its impact on enterprising culture were first analyzed by Max Weber (1930) in the Western context. Religion has a crucial role in shaping attitudes towards material gains. It specifies the code of conduct for individuals and communities. The different faiths have prescribed different codes of conduct. Some religions discourage entry into certain fields and some others encourage them. In the entire religions one can find the dominance of fairness such as hard work and honesty. This was not merely for gaining God’s favour but also for ensuring trust and confidence in their customers. While there is no consensus regarding the role of religion,
caste, region or culture in the determination of an entrepreneur, it is an accepted fact that all these act as ingredients in the emergence of entrepreneurs. It is learned from experience that all these play a significant role in the development of environment where entrepreneurial activities can flourish and grow.

Inspired by Weber's proposition that religion, norms and values, behaviour, and economic development are interconnected, a number of experts reported their views on this relationship. Berna (1960), McClelland (1961), and Richard Fox (1969) have also related economic progress with culture. They tried to explain the economic backwardness of India by linking it with the Indian culture. Some of these scholars argued that the spirit of enterprise was inhibited among the indigenous population of India by the religious philosophy embodied in the doctrine of karma and by the rigid social organization of the caste system and the joint family.

**Concept of Entrepreneurship**

Enterprising nature makes man an entrepreneur. Thus, entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit that combines the factors of production to supply goods and services, whether the business pertains to agriculture, industry, trade or profession (George H E, 1949). Entrepreneur is the centrifugal of economic activity and propeller of development under free enterprise. Different scholars defined the entrepreneurial functions in different ways. Cantillon was the first to use the term entrepreneur (Schumpeter J A, 1954). He portrayed an entrepreneur as one who discharges the function of direction and speculation (Narayana D L, 1966). J B Say, moving along in the French (Cantillon) tradition was the first to assign the entrepreneur a definite position in the economic process and stated that the entrepreneur's function is to combine the factors of production into a producing organism. He certainly failed to make full use of it and presumably did not see all its analytic possibilities (Schumpeter J A, 1954). But to Adam Smith, the father of Political Economy, the entrepreneur was a
proprietary capitalist, a supplier of capital and at the same time working as a manager intervening between the labour and the customer. Adam Smith also treated him as employer, master, merchant, and undertaker, but explicitly identified him with capitalist, probably in view of the English economic system. David Ricardo, a contemporary of J.B. Say, supported Smith's approach and treated the industrial manufacturer and agricultural farmer synonymously as entrepreneurs throughout his famous book "The Principles of Political Economy and Taxation." According to David Ricardo "the farmer and the manufacturer can no more live without profit than the labourer without wages" (David Ricardo, 1962). For Ricardo, the prime motive of the entrepreneur is to accumulate and without motive there should be no accumulation to facilitate capital formation and economic development. He also stressed that the motive for accumulation will diminish with every diminution of profit and will cease to exist altogether when profits are so low as not to afford an adequate compensation for the risk and trouble which the entrepreneur encounters in employing his capital productively. John Stuart Mill emphasized the function of direction in production process and he repeatedly stressed that the function requires "no ordinary skill". F.H. Knight propounded the theory that the entrepreneurs are a specialized group of people who bear risks and deal with uncertainty.

Modern interest in an entrepreneur as a key figure in economic progress stems in large part from the work of Schumpeter. In Schumpeter's system, entrepreneurship is essentially a creative activity. The entrepreneur is the innovator who introduces something new into the economy. The innovation may be a method of production not yet tested by experience in the branch of manufacture concerned, or a product with which consumers are not yet familiar, or a new source of raw material or of new market hitherto unexploited, or other innovations in the strict sense of the term (Schumpeter J A, 1961). According to him entrepreneurs are business leaders and not simple owners of capital. They are men of vision, drive, and talent, who spot out opportunities and promptly seize them for exploitation. By virtue of their
initiative, earnestness and activity they contribute significantly to the increase in national production and obtain a good share of the increasing national income as reward for their untiring efforts in the form of profits which they consider as the barometer of their success. Personal gain constitutes the spur of economic activity under private enterprise. In furtherance of their interest, entrepreneurs undertake business ventures and economic activity involving new combinations of factors of production which raise the level of productivity resulting in better utilization of resources. Schumpeterian view implied that labour supply, resources, existing capital and the state of art only create potentiality for capital productivity, while it is the enterprise which performs the miracle of transforming the potential into effective productivity. As the entrepreneur is the sovereign of productive activity and the key to economic development, it follows that a substantial part of the explanation of differences in levels of investment between the developed and developing countries and between different stages in the growth and development of any single country, is to be found in the size, energy and scope of operation of the entrepreneurial class. Schumpeter’s ‘innovation entrepreneur’ represents the most vigorous type of enterprise. Thus, Prof. Dupriez writes (Leon Dupriez, 1955) The type of entrepreneur who exploits possibilities as they present themselves within a limited time-horizon and mostly on a small scale - the entrepreneur of J.B. Say - can only produce limited results. Society must produce Schumpeterian innovators with a long time horizon and capable of achieving substantial transformations. A country with little or no industrial tradition can hardly produce the innovators capable of substantial transformations without first producing, and in large numbers, the humbler type of entrepreneurs. Economy shaking innovators, like scholars, are the exceptional few who emerge at the summit of a broadly based pyramid. Such men do not appear and could not function until a certain level of educational, social and technical progress has been achieved. They are at once a product of development and agents of further development (Hans Singer, 1953) But the need for Schumpeterian innovators in countries which
are beginning to industrialize must not be over-stressed. The technologies and products needed by these countries have already been developed in more advanced countries. Men are needed who can adapt these technologies and products to the particular conditions of developing countries. These countries primarily need, not innovators, but the "imitators" — who even in Schumpeter's system are primarily responsible for transforming the forward step of the pioneer into a magnitude of economic importance (Henry G. A., 1955).

The importance of these humbler entrepreneurs who "exploit possibilities as they present themselves and mostly on a small scale" must not be underestimated. It often involves what has aptly been called "subjective innovation", that is, the ability to do things which have not been done before by the particular industrialist, even though, unknown to him, the problem may have been solved in the same way by others (Fritz Redlich, 1955). Establishment and successful operation of a manufacturing enterprise in developing countries often requires such abilities as well as considerable resourcefulness in adjusting to the changing circumstances which characterize developing countries. Men capable of doing so are in short supply and contribute much to the economic development. The enterprises may be small and unimpressive when judged by the standards of more developed countries. But their success points the way for others and given the high propensity to imitate, which exists in less developed areas, can set in motion the "chain-reaction" which leads to cumulative progress. There is another reason why the humbler type of entrepreneur is important in developing countries. These countries are placing great stress in their economic planning on the development of medium and small scale industries. There are sound economic reasons for this in countries where capital is scarce, investors are cautious, markets are severely limited because of low purchasing power and entrepreneurs are largely inexperienced. In addition, many countries aspire to a decentralized industrial structure in which ownership and economic power will be distributed widely. In India, this goal has become a corner
stone of economic policy (George Fernandes, 1977) Thus Micro, Small and Medium Enterprises have an important role to play in the world’s poorer countries

Dimensions of Entrepreneurship

Entrepreneurship: A Function of Innovation

Joseph A Schumpeter (1934), in his theory of economic development for the first time, put the human agent at the centre of the process of economic development and assigned a critical role to entrepreneurship. He considered economic development as a discrete technological change. The process of development can be generalized by five different types of events. First, it can be the outcome of the introduction of a new product in the market. Secondly, it can be the result of a new production technology. Thirdly, it may arise on account of a new market. Fourthly, it may be the consequence of a new source of supply. Fifthly, it may be due to the new organization of any industry. According to Schumpeter, development is not an automatic or spontaneous process, but it must be deliberately and actively promoted by some agent within the system. Schumpeter called the agent who initiates the above changes as an ‘entrepreneur’. He is the agent who provides economic leadership that changes the initial conditions of the economy and causes discontinuous dynamic changes. By nature he is neither technician, nor a financier, but he is considered an ‘innovator’. Entrepreneurship is not a profession or a permanent occupation and, therefore, it cannot formulate a social class like capitalists or wage earners. Psychologically, entrepreneurs are not solely motivated by profit. According to Schumpeter, both interest and profit will arise from progress (change), and would not exist in the static society. Schumpeterian ‘innovation’ is a creative response to a situation.

Schumpeterian theory of economic development was conceived in the context of Industrial Revolution. Therefore its applicability in the developing country is doubted on the following grounds (Singh P, 1966) Whether, an underdeveloped region which is void of necessary basic infrastructure can get economic process started and make itself sustaining with only one
characteristic namely, innovation Secondly, in an underdeveloped country, when private capital is not only shy but small in magnitude, can it create the basic conditions of growth and would it be forceful enough to change the initial conditions of the economy so as to give acceleration to cause a dynamic change

**Entrepreneurship: A Function of Managerial Skills and Leadership**

Bert F Hoselitz stated that “a person 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 importantly he must have ability to lead” (Hoselitz B F, 1952) To strengthen his argument he quoted the history of French and German industrial establishments of the early 19th century where the former were men with mechanical skills rather than financial skills He identified three types of business leadership in the analysis of economic development of developing countries- the merchant moneylender type, the managerial type and entrepreneur type The merchant moneylenders’ function was predominantly market oriented The managerial function has authoritarian orientation and the function of entrepreneurs, along with the above two orientations, calls for individuals with predominant production orientation Hoselitz analysis of entrepreneurship naturally suggested a method for the development of entrepreneurship which depends upon allowing the maturation and development of personalities whose predominant orientation is in the direction of productivity, working and creation and creative integration along with the establishment of social institutions which create a favorable environment for the establishment and existence of independent individual enterprise (Hoselitz B F, 1952)

**Entrepreneurship: An Organization Building Function**

Frederick Harbison stated that the ‘organization building’ ability is the most critical skill needed for the industrial development (Frederick Harbison, 1956) Harbison spotted the crux of the entrepreneurship in his ability to ‘multiply himself’ by effectively delegating responsibilities to others Unlike
Schumpeter, Harbison's entrepreneur is not an innovator but an 'organization builder' who must be able to harness the new ideas of different innovators to the rest of the organization. Such persons are not always the men with ideas or men who try new combinations of resources but they may simply be good leaders and excellent administrators. Harbison's definition of entrepreneurship laid more stress on the managerial skills and creativity so far as organization is concerned. His definition, as it appears, is not far from Schumpeter's concept of innovation. It also allows creation of new organization as innovation. Harbison also emphasized the organizations building ability. But Harbison maintained that the ability to create an organization is the most crucial skill which facilitates the economic use of other innovations.

**Entrepreneurship: A Function of High Achievement**

McClelland, like Schumpeter, ascribed the innovative characteristics to entrepreneurial role. Entrepreneurial role, by definition, involves doing things in a new and better way. A business man, who simply behaves in traditional ways, is not an entrepreneur. Moreover, entrepreneurial role appears to call for decision making under uncertainty (McClelland D C, 1961). McClelland, like others, identified two characteristics of entrepreneurship. First, 'doing things in a new and better way' This is synonymous with the innovative characteristic given by Schumpeter, and, secondly, 'decision making under uncertainty', i.e. risk as identified by Cantillon. McClelland's major contribution lies in extending our understanding of causal sequence of entrepreneurial behavior. McClelland's theory can be looked as a development of Weber's "Protestant ethic" when he implicitly introduced the concept of need for achievement as a psychological motive. McClelland, more explicitly, emphasized the need for achievement or achievement orientation as the most directly relevant factor for explaining economic behavior. This motive is defined as a tendency to service for success in situations involving an evaluation of one's performance in relation to some standard of excellence (Morgan J N, 1964). Persons with high achievement would take moderate
risks They would not behave traditionally (no risk) as they are not likely to get any satisfaction from the accomplishment of the task nor like gamblers (extreme risk) where the probability of failure and personal dissatisfaction are more. The high achievement is associated with better performances at tasks which require some imagination, mental manipulation or new ways of putting things together, and such people perform better at non-routine tasks that require some degree of initiative or even inventiveness (Morgan J N, 1964). McClelland also explained the entrepreneur's interest in profitability in terms of a need for achievement (Morgan J N, 1964). People with high achievement are not influenced by money rewards as compared to people with low achievement. People with low achievement are prepared to work harder for money or such other external incentives. For people with high achievement, profit is a measure of success and competency.

**Entrepreneurship: A Function of Status Withdrawal**

Hagen, while describing the process of change in any society as the transition to economic growth searched for the causes of transition. He stated that the transition to economic growth has been very gradual and typically occupies a period of several generations. He identified 'creative innovation' or 'change' as the fundamental characteristic of economic growth (Hagen E E, 1962). Hagen, after analyzing the traditional societies, maintained that the positions of authority are granted in such societies not on the basis of individual 'ability' but on the basis of his 'status.' This structure is characterized by typical 'authoritarian' personality. In contrast, Hagen visualized an 'innovational' personality. Innovation requires creativity, and such creative individuals cause economic growth.

Hagen has formulated a sequence of the formation of creative and authoritarian personalities. He identified child-rearing practices as the main elements in personal development. Since the traditional society has great stability, the forces required to disrupt it must be equally powerful. Hagen argued that such disruption is necessary to have creative personalities from
the traditional societies. His principal theme is that such creative personalities or groups emerge when the members of some social group experience, what he called, "the withdrawal of status respect." The "withdrawal of status respect" may occur when a traditionally alike group is displaced by force from its previous status by another traditional group, or when any superior group changes its attitude towards a subordinate group or migration to a new society. Whenever there is any withdrawal of status respect, it would give rise to four different responses and create four different personality types namely, Retreatist, Ritualist, Reformist and Innovator.

**Entrepreneurship: "Input Completing" and "Gap-Filling" Function**

Liebenstein distinguished two broad types of entrepreneurial activity. The "routine" entrepreneurship is associated with the managerial function of the business and the "new type" entrepreneurship is basically of Schumpeterian type. He identified "gap-filling" as an important characteristic attributable to entrepreneurship (Liebenstein H, 1968). There always exists a larger gap or deficiencies of knowledge about the production function. It is the entrepreneurial function to fill-up the gaps or make up the deficiencies. These gaps arise because all the inputs in the production function cannot be marketed. Some inputs like motivation, leadership, etc., are vague in their nature and whose output is unpredictable. This "gap-filling" activity gives rise to a most important entrepreneurial function, namely, "input-completing." He has to marshal all the inputs to realize final products. On the supply side of entrepreneurship, Liebenstein stated that supply of entrepreneurship is governed by input-completing capacity and inadequate motivational state.

**Entrepreneurship: A Function of Social, Political and Economic Structure**

Kunkel has put forth a theory of entrepreneurial supply. Kunkel has elaborated a behaviouristic model of entrepreneurship. The students of economic history have repeatedly pointed out that entrepreneurs are not equally distributed in the population, and minorities (religious, ethnic, migrated, displaced elites) have provided most of the entrepreneurial talent.
But all the minorities are not important sources of entrepreneurship. Therefore, Kunkel argued that the marginality does not guarantee entrepreneurship. There must be some additional significant factors at work (Kunkel JH, 1970).

John Kunkel stated that the industrial entrepreneurship depends upon four structures namely Limitation Structure, Demand Structure, Opportunity Structure, and Labour Structure which are found within a society or community. According to Kunkel, the supply of entrepreneurs depends on the existence and the extent to which these four factors are found in a society and proposed 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 incorrect perceptions 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 JH, 1970).

**Entrepreneurship: Function of Group Level Pattern**

Frank W. Young is not ready to accept the entrepreneurial characteristic at the individual level. According to him, instead of individuals, one must find clusters which may qualify themselves as entrepreneurial groups, as the groups with higher differentiation have the capacity to react (Young FW, 1971). He defined 'reactiveness' or 'solidarity' as the degree to which the members of the group create, maintain and project a coherent definition of their situation, and 'differentiation' is defined as the diversity, as opposed to coherence, of the social meanings maintained by the group. When a group has a higher degree of institutional and occupational diversity, relative to its acceptance, it tends to intensify its internal communication which gives rise to a unified definition of the situation. To improve their symbolic position in the larger structure, they find a way which allows mutual understanding despite the differences in the occupation and family status. Such pressures bear not
only on social, political and theological factors but also on economic factors. Some members of the solidarity groups excel at combining resources like labour, capital etc in new ways and they become entrepreneurs.

Young has not come out with a new definition of entrepreneurship. He has accepted the Schumpeterian definition of entrepreneur as that of an innovator. But in his paper he has postulated a causal sequence where 'transformation codes' are developed by the solidarity groups to improve their symbolic position in the larger structure and become entrepreneurs. He interpreted the individual level entrepreneurial characteristics as the 'underside' of a group level pattern. The entrepreneur does not work single handedly, though it is the most visible hand. Young maintained that entrepreneurial activity is generated by the particular family backgrounds, experiences, as a member of certain kind of groups and as a reflection of general cultural values. These personality characteristics are the forceful reflections of antecedent conditions and these constitute an independent factor, which mediates between structural factors and consequent economic growth.

Entrepreneurship: A Function of Religious Beliefs

Religion and its impact on enterprising culture were first analyzed by Max Weber in the Western context. According to Weber the “Spirit of Capitalism” is a set of attitudes towards the acquisition of money and the activities involved in it. Max Weber also drew a line of demarcation between the “Spirit of Capitalism” and “adventurous spirit.” The “Spirit of Capitalism” is subjected to a strict discipline which is quite incompatible with giving free rein to impulse (Parsons T, 1974). Weber stated that this “Spirit of Capitalism” cannot generate in itself where widely spread mental attitude favorable to capitalism is absent and according to him the “Protestant ethic” provides this mental attitude. Max Weber extended his analysis to Indian conditions. According to him the “Spirit of Capitalism” was absent in religious belief system of Hinduism. The Weberian approach presumes that
(a) there is a single system of Hindu value, (b) the Indian community 
internalized those values and translated them to day-today behavior and (c) 
these values remained immune to and insulated against external pressures 
and change (Tripathi D, 1971) Number of social scientists from West 
supported this theory It was in the interest of the colonial power to accept 
this theory and encouraged it to help the growth of European 
Entrepreneurship in India (Gaikwar V R, 1975) It would be a gross 
simplification to maintain that the norms laid down for a “Good Hindu” are 
also equally applicable to “Good Hindu Society” The Hindu ethical ideas are 
more directed towards the individual rather than the Hindu society as a 
whole (Gupta K P, 1971) A N Pandey challenged the Weberian proposition 
and maintained that Indian religions and traditions cannot restrain the 
economic pursuits as they provide for identity conceptions or set of identity 
symbols (Pandey A N, 1970) Tripathu doubts the assumptions of Weber in 
identifying a single Hindu value system On the contrary Hinduism is a 
collective name for so many beliefs (Tripathi D, 1971)

Entrepreneurial Development in India
The basic objective in developing entrepreneurs and multiplying them in the 
society has been to enable the society to generate productive human 
resources, mobilize and sustain the same in subsequent process of 
development A sound understanding of the entrepreneurial history of any 
country is a part of the general economic history of that country The Indian 
society from time immemorial has been characterized by a kind of 
stratification on religious and regional basis Among the Hindus, the bania is 
such caste which mainly deals in commodities and carried on money lending 
business As the banias specialized in trade and commerce, they were the 
most urbanized section of the community Because of their financial strength 
they enjoyed a respectable position in the urban centre, though in the caste 
hierarchy they come third after the Brahmins and the Kashatryyas, where the 
caste system was relatively loose as well as people of other castes also moved
into these occupations and came to be regarded as members of the business community (George M F, 1962)

By the middle of the 19th century, India had a fairly developed business community. Gujarat and erstwhile Sourashtra were the most urbanized and developed places in the whole of India with a continuous record of foreign trade lasting over centuries. Parsis who migrated from Persia to Gujarat in the 8th century were chiefly noticed as artisans, carpenters, weavers, etc. in the 17th century. They had become prominent ship-builders by the 18th century and had set up merchant houses in Bombay, Burma, China and London (Gadgil D R, 1959). By the middle of the 19th century, they had emerged as a trading and financing community of Bombay and Gujarat. Thus, the Parsis and Gujarati trading castes became the wealthiest Indian communities by middle of the 19th century, controlling whatever foreign trade was in the Indian hands (Lamb H B, 1955).

In south India, the trading castes were the Chettis sub-divided into various sections such as Telugu Komatis, the Tamil Nattukottai Chettis and Beri Chettis. The Komatis were the chief traders not only in Telugu districts, but also in Mysore, Coimbatore, Canara and other places. The Nattukottai Chettis were the chief bankers and financiers of South India. The Beri Chettis traded chiefly in drug, grain and cloth. These trading communities also had their trade connections with the South East Assam, Combatore, Burma, Ceylon, Malaya and Singapore. The Chettiars formed an important part of the propertied class of Indians in Malaya (Nanjudan S, 1962). On the West Coast in South, most of the trade was in the hands of Syrian Christians called Nazrani Mappilas and Mohammedan merchants known as Moplahs. The internal trade of Cochin and Travancore was financed mainly by the Nazrani Mappilas and Mohammedan merchants known as Moplahs. In Canara, the Moplahs shared the functions of trade with the Konkanis who also conducted the banking business of the country (Raju A S, 1941). As the trading
monopoly of the East Indian Company faded and was over by 1857, many of the Christians prospered as merchants

In Bengal, there did exist community like the Subarana Banka who traditionally specialized in trade, commerce like banas in other regions (Gadgil D R, 1959) The Bengali merchants and capitalists did participate in trade, industry and banking along with their British principals But as the Britshers consolidated their political power, Bengali houses gradually disappeared from the scene (Nirmal Kumar B, 1968) The Bengali merchants then diverted their capital towards land, as investment in land had become profitable (Pavlov V I, 1964) The average Bengali received English education and joined mercantile houses as well as administrative services There was another important and fairly developed business community called Marwaris hailing from Marwar in Rajasthan. The trading and money-lending castes attained their greatest development in Gujarat and Rajputana (Pavlov V I, 1964) Besides, these trading and money-lending communities and the European commercial interests, there were some other like Bhatias and Lohanas who were engaged in local trade, and were very widely dispersed all over the country An urban Hindu community called Khatris was engaged notably in trading activity not only in Punjab but also in Afghanistan and Central Asia In the absence of banas in Maharashtra, Yajurvedi Brahmans and Chitparan Brahmans took considerable part in trading, money-lending and banking (Gadgil D R, 1959)

The Indian Industry which was basically a cottage and small scale, declined at the end of the 18th century for various reasons such as the disappearance of Indian Courts, establishment of an alien rule with the influx of many foreign influences, and the competition from highly developed form of European industry (Gadgil D R, 1959) The beginning of the European Commercial activities in India in the 17th century did not shake off its occupational class structure But the European investments in Indian trade helped in changing the methods of trading in India (Ararrathon S, 1966) The beginning of the
modern factory system in India can be noticed in the second half of the 19th century. Before 1850, there were some efforts, mostly by Europeans to set up factories in India with a view to extending modern factory system outside England.

The analysis of entrepreneurship development in India after 1850 is in parts, East and West in general, and Calcutta and Bombay in particular. In the Eastern part of India, the entrepreneurship was mainly European and engaged in export-oriented industries like jute, textile, tea and coal. Most of the export trade was in European hands. The European control over industrial activity in Western part of India can be explained first by the fact that the Europeans enjoyed political privileges over Indians. Secondly most of the external trade was under Europeans’ control, Thirdly it was on account of the control of Europeans on the organized money market, and lastly due to the informal channels developed by the Europeans and formal organizations like Chambers of Commerce and Trade Associations provided a platform to adjust the interests of various business houses to avoid unnecessary competition. The commercial nature of the Eastern Indian entrepreneurship was very much evident from the type of organization and its interest in export trade. It was very difficult for purely Indian entrepreneurship to get any favours from the Government. To get construction contracts, Sir Rajendra Nath Mukherjee, who had a renowned firm in construction, had to join forces with Acquim Martin and adopt the name of Martin and Company (Amiya K B, 1971).

But the entrepreneurship in Western India was mostly Indian. The trade and commerce in western India was not subject to British exploitation when East India Company started its political and commercial activities and Indian merchants were not eliminated from the fields of finance and trade. In 1847, Ranchodlal Chotalal, a Nagar Brahmin, envisaged the textile manufacturing on modern factory lines. He was the first Indian to think on these lines and directed his efforts to materialize his venture, but failed in his first attempt.
Again in 1851, money was raised and against all odds he succeeded in his efforts and opened a mill in 1861 at Ahmadabad. But before this, Cowsjee Davar was successful in establishing a cotton textile manufacturing unit at Bombay in 1854, followed by Nawrosjee Wadia, who set up his textile mill in Bombay in 1880.

In 1858 there were four cotton textile mills in India and within a period of 25 years their number increased to 58. During this period, Indian entrepreneurship was not confined only to textiles but efforts were also directed toward shipping, iron and steel and hydroelectric systems. In the wake of Industrial Entrepreneurship in India, except Parsis, all others were drawn from the non-commercial communities. The well-known commercial communities, Jains and Vaishyas, lagged behind in entrepreneurial activity throughout the 19th century.

The Swadeshi campaign was launched under Indian political leaders in October, 1905 with the partition of Bengal. The emphasis on indigenous goods formed an important facet of nationalism. It was no coincidence that Jamshedji Tata named the first mill he built, after this movement, the Swadeshi Mill. By 1905 there was a greater unity of purpose. The advertisement of Krishna made the following appeal: “Our concern is financed by native capital and is under native management throughout” (Arun J & Lala S, 1975). The Swadeshi movement definitely had a positive contribution to make in inducing the Indian Investment in Industrial activities and starting Industrial activity under Indian Management.

After the First World War, the Government of India agreed to “Discriminating Protection” to certain industries. These measures helped in establishing and extending the factory system in India in the first four decades of the 20th century. The advantages of these policies and opportunities mostly went to the Indians (Amiya K B, 1971). The history of Indian Entrepreneurship before 1947, under British regime, would not be complete unless some reference is made to the Managing Agency System.
The credit for initiation of this system goes to an Indian, Dwarkanath Tagore, who because of his personal reasons motivated others to form Joint Stock Companies and invented a unique method of management, i.e., Management in the hands of a 'firm' rather than an 'individual' as managing director of Joint Stock Enterprise (Kloog B B, 1955)

After Independence, Government of India recognized the need of planning which means spelling out the priorities and development of infrastructure To accelerate industrial growth the Government came forward with various incentives. The first Industrial Policy of 1948 provided various guidelines for industrial and entrepreneurial development. It identified the responsibility of the State to promote, assist and develop the industries in the national interest. It also assumed that entrepreneurs have an important role to play in industrial development by demarcating the industrial field for the private sector.

But the acceptance of a socialistic pattern and the nationalization of Life Insurance business created a doubtful atmosphere in the private sector. Therefore, the Government again came out with a new industrial policy resolution in 1956 and it again accepted the overall responsibility for industrial development. The resolution pronounced mixed economy with a division of the sphere of activities, with complete co-ordination and mutual help as its goal. Though the public sector was to be progressively expanded it assured the existing private sector enough work in reserved areas and also stressed the need for State stimulation for the growth of private sector. The policy resolution of the State also pointed out an important role to the small scale units in private sector for the diversification of industry to the underdeveloped areas and its ability to generate employment opportunities. Thus changed the nature of Indian Entrepreneurship to a significant extent and brought into existence the newer techniques of modern management. In this period the opportunities were largely exploited by the on-going business.

The expanding level of investment in the economy, the policy of import
substitution and other favorable policy measures created an extremely favorable atmosphere for the leading business to grow and diversify their activities. It is true that some families and business houses in this period grew beyond the normally expected size and remained an object of criticism. A large number of established entrepreneurs branched out into a number of different industries to the extent that the textile mills groups invaded the area of electronics. The family entrepreneurship units like Tata, Birla, Mafatlal, Dalmua, Kirloskar and others established new frontiers and abnormally expanded the existing units. These entrepreneurs diversified the industrial base of the economy in this period. But all this happened with the diversification of the entrepreneurial base so far as its social and economic stratification is concerned.

Entrepreneurship and Small Business

There is growing realization about potential contribution of small enterprises both in developed and developing countries. Because of their unique economic and organizational characteristics, small enterprises play important economic, social and political roles in employment creation, resource utilization, income generation and in helping to provide change in a gradual and peaceful manner. Socio-economic factors affecting small enterprises came to be noticed during industrial revolution, with notions of entrepreneurial importance gaining favour by the mid-twentieth century (Schumpeter J. A, 1965). During the 1960s, the behaviour of the individual came to be highlighted as a major factor contributing to small enterprise development as entrepreneurship and therefore supply of entrepreneur came to be recognized as critical to development (McClelland D. C, 1961).

The Industrial Revolution was accomplished largely through Small Scale Industries (SSIs) – entities with modest capital, a few score workers at most, owned and managed by a single individual of family. Really large firms were slow to emerge. The explosive growth of really large scale organizations occurred in the next half century, large firms are now the dominant mode. But their share of employment is smaller relative to output.
Nonetheless, many small manufacturers continue to exist in these economies, showing a skewed distribution of manufacturing enterprises with a modal size being close to the smallest and long rightward tail stretching towards the giants. Most of the small firms are service-oriented, or produce for a circumscribed or specialized niche in the market. Many produce intermediate products for large firms, the development of the sub-contracting relationship was particularly marked in the economic history of Japan (Paise S S, 1971).

Healthy small business sector is rightly considered to be the backbone of any developed economy. Research studies conducted in USA (Birch, 1991) suggest positive link between economic development and entrepreneurship. Similar systematically conducted research studies are rarely available in developing and underdeveloped countries. But absence of such studies does not suggest that such a positive relationship does not exist in developing and underdeveloped countries. Even in the case of tightly controlled economies in Eastern Europe, people are anticipating that small business and entrepreneurship will lead the way to new economic development.

Most countries in Eastern Europe have already switched over to market-based economy. Developments which took place in USSR in 1991 also provided much scope to small enterprises in reviving the disintegrated economies. Developing economies like India, China, Pakistan, Sri Lanka, Malaysia and many other South Asian countries have always considered small business sector as an important sector of the economy.

In 1973, the British Economist E F Schumacher authored his seminal work, “Small is Beautiful”. The Times Literary Supplement ranked it among the 100 most influential books published since the Second World War. It champions the cause of small, appropriate technologies that are believed to empower people more, in contrast with phrases such as “bigger is better”. In his perceptive analysis, Schumacher conceptualized that Micro, Small and Medium Enterprises occupy an important and strategic place in the economic growth and equitable development in all countries. Constituting as high as
90% of enterprises in most countries worldwide, Micro, Small and Medium Enterprises are the driving force behind a large number of innovations and contribute to the growth of national economies through employment creation, investment and exports. Their contribution to poverty reduction and a wider distribution of wealth in developing economies cannot be underrated (MSME Department, Policy Note-2012-2013).

Many characteristics of small enterprises enhance their pivotal positions in accelerating economic growth in countries. Their flexibility makes them best suited in environments where intervening variables play a large part in day-to-day business management. Small enterprises have a better chance to carry out a number of innovations like combination of new products, new materials, new methods of production, new markets, new source of materials and even new forms of organizations, resulting in increased productivity. The National Science Foundation, an organization in USA found that small companies produce four times more innovations than do bigger companies (Stevenson H H & Soblman M A, 1990).

Being change-susceptible and highly reactive to socio-economic influences on the outside, small enterprises can easily adapt to and adopt measures that will ensure not only their own viability but also the growth of the economy in which they are situated. Being fairly labour intensive, they provide an economic solution by creating employment and income opportunities in urban and rural areas at relatively low cost of capital investment. Decentralization and dispersal of industries into rural areas prevent the influx of job-seekers in cities and urbanizing centres, thus allowing for a more balanced growth of economy in the whole country by reducing the ossification of established social institutions and the concentration of economic power. Moreover, a few large scale industries started by entrepreneurs from outside the state in an economically backward area may help as models of pioneering efforts, but ultimately the real strength of industrialization in backward areas depends upon the involvement of local
entrepreneurship in such activities. By using indigenous raw materials and
the promotion of intermediate and capital goods, small enterprises can
contribute to faster economic growth in a transitional economy. Being set-up
by individuals, they provide a productive outlet for expressing the
entrepreneurial spirit of human resources.

In newly industrializing countries, small enterprises become the focus of
various approaches to entrepreneurship development since they function as
"Seedbeds of entrepreneurial and managerial talent" (Lavador S F, 1981)
People from all walks of life are encouraged to set-up their own small
business, thus providing a wide base for industrialization.

Worldwide, the MSMEs have been accepted as the engine of economic growth
for promoting equitable development and have emerged as the single most
important sector generating employment, next only to the agricultural sector.
MSMEs play a catalytic role in the development process of most economies.
They also play a key role in the development of economies with their
effective, efficient, flexible and innovative entrepreneurial spirit. The socio-
economic policies adopted by India since the Industries (Development and
Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the
country's economic conditions. The importance of the MSME sector is well-
recognized world over owing to its significant contribution in achieving
various socio-economic objectives, such as employment generation,
contribution to national output and exports, fostering new entrepreneurship
and providing volume to the industrial base of the economy. The MSMEs
today constitute a very important segment of the Indian economy. The
development of this sector came about primarily due to the vision of our late
Prime Minister Jawaharlal Nehru, who sought to develop core industry and
have a supporting sector in the form of MSMEs. MSME has emerged as a
dynamic and vibrant sector of the economy. MSMEs in India have been given
a distinct identity and the Government of India has accorded high priority to
this sector on account of the vital role it plays in balanced and sustainable
economic growth. It is considered a growth engine of our economy and plays a crucial role in the process of economic development by value addition, employment generation, fostering entrepreneurship and entrepreneurial skills, equitable distribution of national income, regional dispersal of industries and priority depth to the industrial base, mobilization of capital and contributing to the country’s exports (Suresh P & Akbar Mohideen M, 2012)

MSMED Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. Micro, Small and Medium Enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The defined limit on investment for enterprises to be classified as Micro, Small and Medium Enterprises is as follows:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Manufacturing Enterprises (Investment limit in Plant and Machinery)</th>
<th>Service Enterprises (Investment limit in Equipment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Rs 25 lakh</td>
<td>Rs 10 lakh</td>
</tr>
<tr>
<td>Small</td>
<td>Rs 5 crore</td>
<td>Rs 2 crore</td>
</tr>
<tr>
<td>Medium</td>
<td>Rs 10 crore</td>
<td>Rs 5 crore</td>
</tr>
</tbody>
</table>

Source: MSMED Act, 2006

The important features of the Act are Setting up of a National Board for MSMEs, Classification of enterprises, Advisory Committees to support MSMEs, Measures for promotion, development and enhancement of MSMEs, Schemes to control delayed payments to MSMEs and Enactment of rules by State Governments to implement the MSMED Act, 2006 in their respective States.

The Ministry of Small Scale Industries and Agro and Rural Industries was first created on 14th October 1999 and on 6th September 2001, further bifurcated into two separate ministries, namely, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries. Subsequent to
enactment of “Micro, Small and Medium Enterprises Development Act, 2006” by the Parliament, the President under Notification dated 9th May, 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries were merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises.” This Ministry frames policies, promotes/facilitates programmes, projects and schemes, monitors their implementation with a view to assisting MSMEs and helps them scale up.

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry of Micro, Small and Medium Enterprises and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

The schemes/programmes undertaken by the Ministry and its organizations seek to provide:
1) Adequate flow of credit from financial institutions/banks,
2) Support for technology upgradation and modernization,
3) Integrated infrastructural facilities,
4) Modern testing facilities and quality certification,
5) Access to modern management practices,
6) Entrepreneurship Development and skill upgradation through appropriate training facilities,
7) Support for product development, design intervention and packaging,
8) Welfare of artisans and workers,
9) Assistance for better access to domestic and export markets and
10) Cluster-wise measures to promote capacity building and empowerment of the units.

India embarked on the path of opening up its economy and integrating it with the global economy in 1991. The liberalization of economy, while offering tremendous opportunities for the growth and development of Indian industry including MSMEs, has also thrown up new challenges in terms of fierce...
competition both in domestic and international markets. The rules which provide increased access for our products in the global market, also put domestic industry under increased competition from other countries, not only in exports but also in the domestic market. In today’s world, technology, competitive strength together with benchmarking with the best international standards and practices have become the drivers of change and accelerated growth. Access on a global basis to modern technology, capital resources and markets have become the most critical determinants of international competitiveness. This underscores the need for MSMEs to be internationally competitive in terms of quality, delivery, after-sales service, price, etc. The need of the hour for Indian MSMEs is to upgrade their technology, quality and adopt modern management techniques to keep pace with the changes that are taking place in the global market. Investment would be a pre-requisite in these areas to bring about transformation. The availability of adequate credit at affordable cost, thus, becomes critical for Indian MSMEs (Mahesh Reddy, 2006).

**Diagram 3(a): Products Manufactured by MSMEs**

![Diagram 3(a): Products Manufactured by MSMEs](attachment:image)

**Source:** - Final Report of the Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector.
There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. Some of the major subsectors in terms of manufacturing output are food products and beverages (14.26%), wearing apparel (13.67%), fabricated metal products (8.96%), repair and maintenance of personal and household goods; retail trade (8.46%), textiles (6.78%), furniture (6.36%), machinery and equipment (4.66%), other non-metallic mineral products (3.77%), repair and maintenance of motor vehicles; retail sale of automotive fuel (3.72%), wood and wood products (3.53%) and others (25.82%).

It is well known that the MSMEs provide good opportunities for both self-employment and wage employment. Recognizing the contribution and potential of the sector, the definitions and coverage of the MSE sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of "enterprise" to include both manufacturing and services sector besides, defining the medium enterprises. As per the Fourth All India Census of Micro, Small and Medium Enterprises (MSMEs) covering registered and unregistered segments of MSMEs, with reference year as 2006-07, the MSME sector provides employment to 60 million persons through 26 million enterprises. The Census covers for the first time manufacturing and service enterprises as defined in the MSMED Act of 2006. The sector contributes 8 percent of Gross Domestic Product (GDP), 45% of manufacturing output, and 40% of the country's merchandise exports (Nagayya D & Shahina Begum S, 2012).
Growth in Number of MSMEs

Chart 3(b) Number of Enterprises in MSMEs Sector from 2006-2011

Projected data for the year 2009-10 to 2010-11


The above chart shows the data regarding the growth of the number of enterprises in the MSMEs sector. The number of enterprises have grown by 9.21% from 2006 to 2009. Moreover, the projected data shows that the number of MSMEs would grow by 9.24% between 2009 and 2011. Therefore, it can be concluded that there has been a considerable growth in the number of enterprises in MSMEs sector in the past five years.
Projected data for the year 2009-10 to 2010-11


The above chart shows the employment generated by MSMEs. There has been an increase of 10.69% in the employment generation between the years 2006 and 2009. Further, the projected data also shows that the employment would grow by 11.05% between 2009 and 2011. Therefore, it can be concluded that MSMEs have made notable contribution in employment generation.
The above chart shows the investment in fixed assets in the MSMEs sector. It is interesting to observe that the fixed investment has grown by 24.16% between 2006 and 2009. The projections also show that the fixed investment would grow by 24.40%. It is worth mentioning that the productive capacity of MSMEs sector has increased considerably between 2006 and 2011.
Projected data for the year 2009-10 to 2010-11

**Source:** Annual Report 2011-12, Ministry of Micro, Small and Medium Enterprises, Government of India.

The above chart shows the statistics of production in terms of gross output in MSMEs sector. There has been an increase of 24.16% in the gross output between 2006 and 2009. The projected data also shows a considerable increase of 24.40% in the gross output of the MSMEs sector. It is pertinent to note that there is a huge demand for the products manufactured by the MSMEs.

**Minority Entrepreneurship**

**Entrepreneurship and Muslims**

The basis of society in Islam is religion. It implies that the basic structure of Islamic society is religion and all the other structures may be treated as super-structures; namely, political, economic and socio-cultural. All these super-structures, should by necessity, derive their strength from the religious structure. Going through the textual literature and their medieval and modern interpretations, it appeared that central to the Islamic social system was the religious ideology, which means that the basic religious institutional
framework ought to be formed which will determine the types of social, economic and political super-structures in a Islamic society. Therefore, all the human behaviour, both individual and collective, should be expressed in this framework. That is, the economic, social and political behaviour should express within the norms of Islamic ideology. It appears, as if the Islamicists reject the basic economic structure of Karl Marx and political structure of Max Weber as basic to social change and development. From this description it seems that a religious structure is relatively fixed and, therefore social change is not possible. Theoretically, however this is not implied here. It only means that the Islamic ideology may be interpreted in relation to the change required, which would adapt itself to the change, thereby widening its scope, without altering the spirit of Islam. This relationship amongst various structures is the major focus of the thesis in relation to the change agent, namely the Muslim entrepreneur.

The 'spirit of Islam' is defined in the word 'Islam' itself. It means surrender and obedience or 'peace' of body and mind through submission to Allah. It implies (a) to surrender and (b) to become reconciled to each other to make peace (Ahmad Khursheed, 1974). The Article of Faith (Kalima) is the bed-rock of Islam, which is an important metaphysical concept to answer the endlessness of the universe, which further points to the supremacy of law in cosmos, the all-pervading unity behind that manifest diversity, or an integrated world view to which the modern science is moving (Gibb H A R, 1950). In Islamic view one reality cannot be divorced from the other. Therefore, it tends to integrate material, spiritual and social needs (Toynbee A J, 1932). The material needs provide the basis for social relations in an overarching spiritual frame. Within this frame are set the claims of an individual on society and that of society on the individuals. In fact the Prophet himself recognized that spiritual concern could not be divorced from everyday behaviour (Wref E R, 1951).

During the last four decades there had been an increasing debate on issues relevant to economic behaviour in Islam. The debates of 1950's and 1960's
remained confined mainly to the fact whether Islamic economic system is
closer to Western Capitalism or to the Socialism, if not Communism, mainly
out of a concern to integrate the concepts of private property, and equality of
brotherhood, and justifiably so because of the need to integrate technological
advances, having strong bearing on economic development with social
change as is the case with the advanced Western and Communist Economies,
vis-à-vis the appalling poverty of the Third World Countries to which the
major Muslim societies belong

But there is a growing realization that the Islamic economic doctrines do not
conform either to Capitalism or Socialism, even though some experiments
were conducted in countries like Nasser’s Egypt, Bathist Syria, and Iraq, on
one hand, Pakistan, Saudi Arabia and Iran, on the other These experiments
created contradiction, in the ideology of Islam on one hand and Capitalism
and Socialism on the other (Wilson R, 1983) This concern led to the search of
an Islamic economic system based on its spiritual and material codes
enshrined in Koran and Sunnah It may, however, be noted that neither the
Koran nor Sunnah represent a codified theory of economic development Nor
does it provide a definition of entrepreneurship, let alone the theory of
entrepreneurship (Haffar A R 1975) Therefore, one has to derive both the
concept and theory of entrepreneurship from the information spread over the
Islamic religious scriptures, in the writings of scholars on Islam and that is
what is presented in the following text

To begin with, the Koran and Prophet took a positive attitude to economic
enterprise The Koran says, “It is He who hath produced you from the earth
and settled you therem to develop” The only occupation that the Prophet
followed, other than his Prophetic duties was trade That the trade is superior
way of earning one’s livelihood “If you profit by doing what is permitted,
thy deed is a jihad (holy war) and, if thou uses it for the family and kindered,
this will be a sadaqa (pious work of charity)”, and “truly a dirhram (silver
coin) lawfully gained from trade is worth more than ten dirhams gained in
any other way" The prophet also said, "The merchant who is sincere and trustworthy will (on the Day of Judgement) be among the prophets, the just and martyrs" (Ahmed Huma, 1981) It is therefore, clear that trade and by implication entrepreneurship is not only permitted but encouraged and considered a better economic pursuit than others

Of late there is a recognition that human factor is a very important factor of production, besides the traditionally known factors of production, viz., labour and capital In Islam there is a great emphasis on the human resource development In modern economic literature entrepreneurship is considered the prime mover of the factors of production, but the definition of the concept of entrepreneurship, its functions and its precise role in the production function remain enigmatic (Liebenstein Harey, 1968). There is a general agreement among the scholars, however, that it includes the study of need achievement and need power, innovativeness, risk taking, and management skills Implicit in these attributes is the capitalist mode of production Therefore, the concepts of private property, rational attitude, knowledge of science and technology, factors of production, like labour and capital, rational bureaucratic organization, along with industrial relations, consumption, savings and investment, interest and banking, type of ownership, namely, propriety, partnership and limited company, market, prices, inflation, along with the study of social order, and type of Government administration, need to be understood

It is imperative to see whether Islamic body of knowledge had to offer something at least on some of these issues and interlinkages between these concepts The emphasis of Islam is on balancing the interests of individuals and society, but with enough scope for the development of a responsible entrepreneurship (Goodfriend D E & Zanuddin S, 1980) Therefore, not only the differential economic distribution among people is recognized but also every person is given full right to own and develop one's own private property However, Islam does not recognize the classes as defined by Karl
Marx or Max Weber, nor does it recognize caste, creed, or colour as any criterion of social importance. What in fact has been emphasized is the individual achievement as against ascription for a person to become socially important here or hereinafter (Mohammad Qutb, 1964).

Hoardings in Islam is detested as it causes social imbalances. Koran seeks to detest exploitation. It seeks to assume that within the limits set by Sharih, each party will receive due benefit for its contribution, industry, work, entrepreneurial skill and inventiveness (Ishaque K M, 1983). Islam does not leave the matter here. It seeks to reduce the concentration of wealth by way of Zach (poor tax), laws of inheritance, and alms giving, to be rewarded here and hereinafter by the Lord of the Universe. In fact, God is considered the owner of all the property and man if made its trustee to develop and benefit from the bounties of life, and sharing such benefits with his fellow beings.

Zach is the minimum irreducible compulsory tax and considered important next only to prayers to God (Faradic F R, 1976). Its rate varies according to commodities on which tax is levied but a rough of 2.5 percent is considered normal and is given to eight classes of people who are economically deprived, to create social equilibrium and order in Islamic society (Al-Mahdi & Sadiq, 1982). A greater stress is laid on the individualism, as he and only he is responsible for his actions, to be judged on the day of judgement.

Other tool to break classes is the laws of inheritance, where the property of the deceased is distributed in accordance with a particular law, in which the share depends on the sex and the distance of relationship of the inheritor from the deceased (Imam Zafar, 1975). This also entitles the state to collect some estate duty which again goes to the poor or needy or to the social overheads. In fact the State is allowed to impose additional taxes on property, if social needs demand so. This leads to the dispersal of property in the wider society and is consistent with the negative attitude of Islam to hoarding. The distributed inheritance makes next generation relatively less well off, if the offspring's are more than one, which would induce the next generation to
strive harder to gain the status to which the offspring's were used to. This shapes the motivational pattern to work hard and earn more. Religious emphasis on having property without actually not working is prescribed, so that no one thrives on the labour of the other. Therefore, the emphasis on individualism, rationality, acquisition of knowledge—be it of scientific, technological or theological nature, laws of Zakah and inheritance form a motivational complex consistent with entrepreneurship.

An individual motivated to achieve economic well being of his own and his family has to work hard but also had to share it with the society at large. An individual may earn to whatever extent but through fair means. A successful entrepreneur will accumulate money within a year but has to Zakah, state taxes, alms, which will reduce his wealth, which may have a dampening effect on his savings and reinvestment capacity. He has two alternatives, either pays taxes and consumes the rest, but emphasis on moderate expenditure will set limits to his consumption level, which in turn will be saved for reinvestment.

On the other hand, if he pays his taxes then it will ease the business operations due to increased infrastructure and will increase demand for goods as the purchasing power of the poor will go up, which will boost further production and exchange in the market. In either course of action an entrepreneur can build great capital assets over a period of time by reinvesting in trade or industry. Laws of inheritance, however, will redistribute these resources back into the society. The offspring's to regain the same status as their parents enjoyed again would have to be motivated to even higher degree of entrepreneurship.

Further rationality is the key to Weberian thesis of Capitalism. Rationality as a word in Koran occurs 50 times and additional words 'have ye no brains' is repeated 13 times. No religion, including Christianity, has ever stressed so much on rationality (Rodinson Maxime, 1974). If Islam is to be followed, the spirit of rationality has to be kept alive. If this is so, and with a stress on
exploring the world with objectivity and going to the foreign lands for education and enjoy the bounty of life, for which enormous rewards would be given, the outcome would be nothing but the development of science in all of its dimensions, including technology applied to economic life which will yield an entrepreneur with innovative, risk taking and achieving behaviour. He would create high degree of rational organization, with fair administration, with an emphasis on treating human beings as respectable entities, thereby creating harmonious industrial relations. If all the wealth belongs to Allah, then an entrepreneur owner would be a trustee whose social status will be dependent on his individual merit. Therefore, Islam does not allow unbridled cut-throat competitive Capitalism - a characteristic of European Capitalism.

Islam allows the market forces to determine the prices, except in an extreme emergency situation. Honest dealings are emphasized. Therefore it will reduce undue advertising, cost of which has to be paid by the consumer, will provide cheaper goods, reduce malpractices and build a goodwill, which will boost the demand further. This proves that Islam as an ideology would create relations between the labour and entrepreneur on one hand and entrepreneur and consumer on the other, harmonious, and sustained by rational objective means expressed through science and technology.

Besides, restrictions are placed on uncertain earnings e.g., speculative trade, earnings of middlemen etc, which are usually responsible for increasing the prices and cheating both the manufacturer and consumer. Islam also restricts gambling, lotteries, and speculative trade in commodities, outcome of which is uncertain, thereby reducing the undue risk in the environment which would further ease the supply of entrepreneurs. It would also motivate persons to earn through hard work and enterprise rather than controlling undue proportions of wealth through speculation, thereby reducing class disparities.

Undue tax by the State is also prohibited as it would reduce the burden on the earning capital engaged in business, since nobody is allowed to take away
anybody’s property except in the extreme social need. Therefore, the political structure and administration that will emerge would provide rational operations of Shariah law and would provide stable political environment in which the entrepreneur would thrive. Bureaucracy is expected to be God-fearing which would provide support to the entrepreneurs.

The major conflict that arises between modern Capitalism and economic ideology of Islam is the interest and banking. The Capitalism of the West is dependent on interest which is the reward for the postponement of the current need. But Islam puts desperate restrictions on ‘riba’ or interest that grows without any active involvement of the owner of the money. Instead what is allowed is ‘Qurad’ or ‘Madharba’, that is partnership of human and capital factors of production. That is, man and man could be partners and capital and man could also be partners in such a system (Akbar M, 1990).

Every Muslim is under obligation to work in order to live, and nobody is entitled to any gain or reward without exerting a productive effort or shouldering subsequent risk.

Islamic jurists differ on the interpretation of riba. One school of thought emphasizes that riba was banned by the Prophet as it has a strong connotation of exploitation. If in case of modern banking, where both depositor and loaner benefit, then nobody is exploited. Therefore, interest may be allowed. However, the other school of thought rejects it all together and suggests a separate system of banking which would act as coordinator between the capitalist and the entrepreneur. In one case, the depositor gets some additional money over principal which compensates for the inflation. Therefore, it only keeps the net worth of a depositor constant. In another case, the bank, loans the money to the entrepreneurs and earns profit or loss, which is distributed to the depositors according to the size of their deposits after deducting the service charge to sustain the banking system. The latter thinking is strong in the modern Islamic thought.
Whatever be the case, implied are the concept of work and the content of risk, which an entrepreneur has to take if he wants to earn, which is his religious duty. In case of partnership outside banking system, a person may employ capital with the entrepreneur and could share profits or losses in proportion to the extent contracted. The need of the entrepreneur for finance and need of the capitalist for investment will determine contract in a free market situation. Theoretically it is, therefore, clear that Islam is capable of having its own economic system in which equality before law, equality of opportunity, and with property rights consistent with a welfare State allows only the socially responsible entrepreneurship and not the type found in Western capitalism.

In Islam Religion is the way of life (Baig and Khan 1990) (Quoted in Shally Joseph, 2003) The urge to become successful entrepreneur-manager is found in the social sanctions in the Muslim community, which rewards independent activities and economic status. Islam does not exert one to work hard to carry on business and earn money for the benefit of the family and community (Ramaswamy, 1984) (Quoted in Shally Joseph, 2003) Trade is in the very blood of Muslims and they do not shirk from selecting their fortune far and near (Happen, 1980) (Quoted in Shally Joseph, 2003).

Entrepreneurship and Christians

David Frost, the Director General of the British Chamber of Commerce (2008) suggested that "Thriving successful businesses are the lifeblood of prosperous communities It has never been more important to support the next generation of wealth creating entrepreneurs - particularly in these challenging economic times.” The world needs entrepreneurs now more than ever, fresh thinkers, who spot opportunities and apply their talents to overcome obstacles to make their ideas happen. Entrepreneurs need to reframe the threats as an area of business opportunity for all. They must unleash their innovative ideas around the world and inspire solutions that will tackle issues ranging from poverty, unemployment and climatic change. It is the fundamental precept of the Christian faith that God calls not only
ministers and other spiritual workers, but everyone to specific roles in his kingdom. Christian Entrepreneurs must realize that they are called to establish and lead business organizations that are designed to achieve results in the secular world. Christian Entrepreneur Organizations differ from secular businesses because they do business while being led by the Holy Spirit.

Unlike many other human activities, entrepreneurship itself is not Christian or unchristian. The entrepreneurial action of creating value for others through speculation and foresight is an integral part of human action, and it can be used as an instrument for good or for evil. Different ideas exist for what should motivate the entrepreneur. Assuming the entrepreneur's behaviour is legal and ethical, some say entrepreneurs should act to maximize value for the shareholders and some say they should act in a way that benefits those with a stake in the decision. Considering every stakeholder is not humanly feasible though entrepreneurial action affects everyone in the market. The entrepreneur's purpose, then, would seem to be to earn the greatest profits he can in a legal and ethical manner. The Christian entrepreneur has a higher call. As an entrepreneur, he must earn profits to keep his enterprise alive, but he must also recognize that earthly profits are not his greatest goal. Christianity changes an entrepreneur's priorities, but Christianity can be integrated with entrepreneurship as entrepreneurs conduct their enterprises in a way that is distinctly Christian.

Weber (1922) argued that religion played a big role in motivating people to take up entrepreneurial activities. He observed that religious groups such as Quakers had strong links with entrepreneurial activity. These activities have played an important role in shaping the activities of philanthropists. The church has always attempted to support economic solutions to poverty and social problems in their communities through entrepreneurial activity.

Christian Entrepreneurship is not a new idea, but a return by unfulfilled business leaders to the sense of "calling" enjoyed by fellow laity in the USA and Western Europe prior to the 20th Century (Anderson, 1999). The goal is
to develop a business that blends business excellence and entrepreneurship with Christian Biblical and theological perspectives. Christian Entrepreneurs develop a specific vision of the future because of the position in which God has placed them. This vision creates a very strong commitment among the Christian Entrepreneurs to overcome set-backs and adversities. Anderson (1999) argued that through their relationship with God, the Christian Entrepreneur becomes empowered by their vision. Although their motives are often misunderstood, dedication to the unfolding truth of their vision as revealed by God is the guiding premise of their labour. The Christian Entrepreneur knows that entrepreneurial business requires major commitments to be made. Generally, there is not sufficient information available in order to totally justify decisions. Therefore, the Christian Entrepreneur becomes a calculated risk taker. The Christian Entrepreneur is drawn to a life of adventure in service, but recognizes that the price of the adventure will be occasional failure and set-backs. The Christian Entrepreneur recognizes that the business world has changed as mass customization and globalization have taken new ideas and moved them into practice across the world. The prerequisites for business success have changed to focus on the customer service needs and wants. Today's customer requires servant-hood and dedication, as well as a constantly evolving desire for innovation, quality, and cost-effective products and services. Christian Entrepreneurs are called to a life of serving customers through the realization of their Godly vision. Christian vision does not see the entrepreneur against the world; it sees the entrepreneur involving a group of committed individuals to embrace the Godly vision in order to constantly bring new value to the customer. Christian Entrepreneurs put their personal relationship with stakeholders at the top in order to get the necessary commitment. The Christian Entrepreneur gratefully receives material blessings as the result of successfully developing a business. Material goals are always secondary to the primary calling and vision. The Christian Entrepreneur constantly seeks out strength from his relationship with Christ to stay in line with the vision.
The Christian Entrepreneur will refuse to be drawn into the materialistic world because of a strong moral character that is developed over time.

According to Oommen (1993) (Quoted in Shally Joseph, 2003) Christians who pioneered the banking and plantation industries in Kerala may make good industrial entrepreneurs as well. But the political atmosphere especially in Travancore before independence made them hesitant and they were forced to confine to more secure investments in the agricultural sector itself. Now after the formation of the State of Kerala one could see a slow change again under the influence of religion. The Christian churches all over India and particularly in the State of Kerala have become strong capitalist agencies. By accumulating assets themselves and domesticating, it provided a sound background in the development of entrepreneurship among its people. Therefore, under the umbrella of religion, the Syrian Christians have become highly enterprising, industrious and multi-sectorial society throughout Kerala (Davis 1990) (Quoted in Shally Joseph, 2003) The past tradition of hard work and thrift helped them to make success in business.

Krejcir (2007) described Christian character as the spiritual fruit that is built in the individuals' relationship with Christ. The Fruit of the Holy Spirit promotes the Christian's ability to relate to others and grow in character. He described a combination of these Christian character traits that form the backbone to internal power and Christian purpose. Purpose is the Christian's knowledge that he is in a relationship with Christ, and that he is acting it out with his calling. The Christian entrepreneur devotes his abilities, spiritual gifts, and calling to bring out the best in people and situations. Christian Entrepreneurs understand that giving meaning to life will have eternal treasure and results. They obediently submit to God in their daily relationship. They recognize the authority and direction from appointed leaders, family, and the church. The Christian remains flexible and open to other's ideas and is willing to be instructed and challenged to change for the better. Wisdom is the true desire for the knowledge contained in God's Word.
and the ability to apply this knowledge in everyday life. Wisdom enables the Christian to have sound judgment and make quality decisions, choosing to follow Scriptural precepts as the primary important schedule and value for life. Discretion keeps the Christian's mind focused on sound judgment, giving detailed attention and thought to situations. Joy and peace allow the Christian to enjoy his own circumstances with an expression of real happiness in harmony with God and others. Christians develop the ability to surrender and yield to God's control in every situation. God is seen as the ultimate provider and the giver of peace. Peace will be fuelled by the harmonious relationship with God. When the Christian can hand over control of heart, will, and mind (to God) then he will be able to make and maintain peace with others. Courage, confidence, and endurance come from the realization that God is the source of strength in any situation. The Christian has the ability to react, knowing that God is in control and "that he who is in me is greater than he who is against me." The Christian relies on God for all things in his life. This confidence will enable him to push forward in the direction that he is called because God is governing. It makes him realize that he is not responsible for the results, only obedience to his Godly calling. The Christian develops endurance and staying power in order to accomplish God's will for him. Diligence allows the Christian to live with excitement and passion in order to complete his work and calling from God. The diligent love their calling, always doing their best to glorify God. They are well organized, competent and resourceful, efficiently making the most of every situation and seeking better ways to do their work. Christians are committed and dedicated, pushing ahead in difficult times. The Christian must have integrity and obedience to a moral code of ethics and values that have honour, truth and reliability as a basis. It will allow him to keep his word and do his best even when no one else is looking. They are loyal and remain committed to those whom God has brought into their lives and has called him to serve.
Christian Entrepreneurs believed that their gift is the specific position in which God has placed them. They believe that God has given them the opportunity to create a business enterprise which meets the needs of people in the marketplace. Christian business men and women can be even more relevant when they become mentors, caregivers, visionaries, and entrepreneurs in their areas of influence. The plans of God are to be fulfilled in their business. Biblical entrepreneurship involves the moral obligation to be economically creative and productive. The principle of entrepreneurship is rooted in the dominion mandate and the biblical doctrines of work, stewardship, and fruitfulness. Biblical entrepreneurship incorporates principles of biblical patriarchy with its emphasis on multi-generational faithfulness, inheritance, jurisdiction, and the household as a vibrant, economically productive, God-ordained unit for cultural transformation. It is impossible to have a full-orbed vision of entrepreneurship without careful consideration for the Scriptural doctrine of the family. Any approach to entrepreneurship which is divorced of these considerations inevitably leads to materialism, individualism, and the love of money. Christian entrepreneurship is purposeful. It involves the calling of men to live fruitful, productive, creative, problem-solving, dominion-oriented, kingdom-advancing, Lordship-loving lives. This is manifested as men advance their roles as fathers, reformers, leaders, servants, masters, and visionaries. Not all men will start independent businesses, but all Christians (masters and servants, parents and children) should be entrepreneurially oriented as to their management, investment, and creative use of assets and resources. The Bible emphasizes that a sign of blessing on such men may include both physical and spiritual fruitfulness (Nel, 2006). This chapter provides a theoretical background to this actual empirical study. The concept and dimensions of entrepreneurship presented in this chapter have provided a guidance to identify the importance of participation of minority entrepreneurs in small business.
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