CHAPTER II

The Concept of Entrepreneurship - An Overview
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THE CONCEPT OF ENTREPRENEURSHIP - AN OVERVIEW

Introduction

The present trends in the development of industrial ventures could be better analysed in the perspective of the concept of entrepreneurship. A study of the evolution of this concept and its role in promoting the economy of a country will put the study of the development of entrepreneurship in any part of the country in the right perspective.

Therefore, this Chapter attempts to analyse the concept of entrepreneurship in its various dimensions. It presents not only a historical account of entrepreneurial development but also an elucidation of the various kinds and types of entrepreneurship that exist in India and abroad. Such a critical study, it is hoped, will help not only to distinguish and compare the evolution of
the concept of entrepreneurship in other countries and in India but also to clarify the pattern of entrepreneurial development in India.

2.2. Significance

Entrepreneurship has been a major factor in the economic growth of the West, of the USSR and of Japan in Asia and it seems to be of rapidly growing importance in countries like India. The development of entrepreneurship is essential to solve not only problems of industrial development but also those of unemployment, regional imbalances in development, concentration of economic power and diversion of profits from traditional avenues of investment. It is a purposeful activity engaged in initiating, promoting and maintaining economic activities for the production and distribution of wealth. It is an integral part of socio-economic transformation, the key to the economic growth of any country. The economic development of any region is the outcome of purposeful human activity. Man stands at the centre of the whole process of development. The entrepreneur locates ideas and
put them into effect in the process of economic development. The entrepreneur is the main driving force in the economic growth of a country.¹

2.3. The Evolution of the Concept

Entrepreneurs are persons who initiate, organise, manage and control the affairs of a business unit, whether it pertains to agriculture, industry, trade or profession. They combine the factors of production and supply of goods and services.² Thus, the entrepreneur is the central figure in any economic activity and the propeller of development under free enterprise. Agricultural and industrial development are geared up by entrepreneurship.³


The concept of entrepreneurship baffles a precise definition since it varies from place to place, from industry to industry and from occupation to occupation. The word 'Entrepreneur' is often used interchangeably with entrepreneurship which refers to a process and not a person.\(^4\)

**Entrepreneur**

The concept of 'Entrepreneur' has evolved over the last four centuries.

(a) *Early French Thinking*

In France, in the 16th century, the leader of a military expedition was termed an entrepreneur. Around 1700 A.D. the term was used for architects and contractors of public works.\(^5\) Quesnay recognised as an entrepreneur a rich farmer who

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manages and makes his business profitable by his intelligence and wealth. Turgot differentiated ownership of capital as a separate economic function in business. For Richard Cantillon, anybody engaged in economic activity was an entrepreneur. To J.B. Say, the entrepreneur was a person endowed with the qualities of judgement, perseverance and knowledge of the world as well as business sense. Thus, in course of time the French tradition regarded an entrepreneur as a person translating a profitable idea into productive activity.

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9 Say, Jean Baptiste., Catechism of Political Economy, New York, 1827, p.295.
(b) Early British Thinking

British economists on the other hand, assumed the framework of perfect competition. All units of a product being identical and supply being always equal to demand, the organiser of the productive activity was not considered a risk-taker but just a capitalist, and no word, as J.S. Mill lamented, was found in British literature to personify the entrepreneur. Nassean Senior classifying factors of production in a new way, tried to achieve a break through, but could not succeed much. The Classical Economists made no distinction between income from ownership and income from management and regarded returns accruing to the capitalist employer as profit. This neglect of the distinction between entrepreneur and capitalist was more than


an analytical oversight. The risk-bearing and coordination part in entrepreneurship was totally neglected. In Ricardo and the Ricardians one misses the emphatic presence of the entrepreneur. Nothing like the business leader as agent of change was conceived of in their treatment of economic principles.\(^{13}\) The Younger Mill rightly separated the two, regarding profit as the reward of the entrepreneur. But, neo-classical economists, specifically Marshall, reaffirmed profit as a single undifferentiated income flow, relating entrepreneurship to Management which is a specific variety of skill.\(^{14}\) Marx recognised a pure type of entrepreneurial return — a return that accrues to a businessman when he introduces novel improvements. It was the product of a certain specific historical conjecture and of social inequality and therefore could not claim to have any social functionality.\(^{15}\)


\(^{15}\) Ibid., p.78.
He regarded the entrepreneur as a social parasite.

(c) Early American Thinking

Walker distinguished the functions of an entrepreneur from those of a capitalist and maintained that profit was not synonymous with interest. J.B. Clark stated that entrepreneurial profits directly depended upon "successful introduction into the economic process of technological, commercial and organisational improvements."

The economist, who underlined the importance of entrepreneurs in economic development, for the first time, was Joseph, A. Schumpeter (1911). He describes an entrepreneur as one who does the function of innovation which means "doing new things or doing of things that are already being


done in a new way. It may include new processes of production, introduction of new products, creation of new markets, discovery of new and better sources of raw materials and finally the creation of a better form of industrial organisation.\textsuperscript{19}

(d) **Advanced Thinking**

Arthur H. Cole, Considering 'innovation as a purposeful activity' stated, "Entrepreneurial activity proceeds in relationship to the situation internal to the unit itself, to the social group that really constitutes the unit and to the economic, political and social circumstances - institutions, practices and ideas which surround the unit."\textsuperscript{20}

Though references to 'social climate being conducive to entrepreneurial innovations' are found in Schumpeter, it was Max Weber who discussed the


social aspects of entrepreneurship. He maintained that the driving entrepreneurial energies were generated by exogenously supplied religious beliefs.21

Max Weber and Schumpeter, were both influenced by Marx. But, to both the entrepreneur was the force that made advancement possible. But Weber saw in him an 'ideal type' of the protestant worldly ascetic, while Schumpeter regarded him as a 'supernormal' person. Schumpeters' was an analytical advance because it was more plausible to postulate the appearances of supernormal ability as a cause of change than to postulate the appearance of Calvin or some such charismatic leader.22

David McClelland shifted to focus from socio-economic factors to socio-psychological factors. 'Achievement Motivation' was the most distinguishing


feature of an entrepreneurial personality. In developed countries people were evaluated in terms of 'achieved status' rather than in terms of 'ascribed status'.

E.E. Hagen put forth a personality theory to show that, people, who had enjoyed social standing at some stage in their histories, fall into a retreatist phase and with an urge to regain that lost status emerge as entrepreneurial personalities. He calls this is the 'Law of Subordinate Groups'.

Thomas Cochran tried to theorise that entrepreneurs were model personalities in society.

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They represented certain ascertainable levels of education, social status and types of cultural conditioning that produced a roughly definable model personality. The individual's performance as a businessman is influenced by three factors:

(i) His own attitude towards his occupation;
(ii) The role of expectations held by sanctioning groups; and
(iii) The operational requirements of the job.  

Frank Young's theory of supply of entrepreneurship was a group theory. A group or sub-group experiencing low status recognition or denial of access to important social networks and being in possession of a greater range of institutional resources than other groups in the society, becomes reactive to improve its symbolic position. Such reactivity brings a change in the economy. Such a change is the essence of

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28 Ibid., pp.148-149.
development and the change-agent is the entrepreneur.

John H. Kunkels' was a behaviouristic model. Individuals perform various activities of which some are accepted by the society while others are not. The accepted are rewarded. The rewards act as reinforcing stimuli increasing the probability of repeating that behaviour pattern. This pattern of social behaviour is entrepreneurial behaviour.

Bert Hoselitz maintained that marginal men or groups enjoying an ambiguous culture and social position having no bondage of tradition to inhibit them from thrashing out an untrodden path could make adjustments in situations of change and become good entrepreneurs. Epstein stated in the same vein that aliens were the greatest source of entrepreneurial supply. According to Dussenberry the supply of entrepreneurship depended upon the value attached


As scientific organisational knowledge came to be systematically applied to industrial activity, the average size of the firm grew considerably. Consequently, the individual entrepreneur has been increasingly replaced by a body of decision makers whom Galbraith calls "technocrats".  

With this change in the structure of firms, the study of organisations gained in importance. J.K. Galbraith's 'The New Industrial State' is a good example. Therein he has distinguished between entrepreneurial corporations and mature corporations. In the former, age, size and simplicity of operations still accord power to an individual who has control over capital. In the latter, technocrats have become key figures.

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Galbraith dismissed the idea of treating 'owner-manager' as a synonym for 'entrepreneur'.

Herbert Simon,\textsuperscript{33} the Nobel Laureate, emphasised that the 'Conservative values of the entrepreneur were derived from the size and the growth of the organisation.

All these have made the study of the institution of the 'entrepreneur' multidisciplinary but not interdisciplinary. Alexander has rightly remarked, "Although this material has contributed to an increased understanding of an entrepreneur and his activities in different areas, no single conceptual framework, no one unifying theme has emerged.\textsuperscript{34} The entrepreneur is a human being living in an over-changing society pursuing simultaneously economic, social and psychological goals. He is not


\textsuperscript{34} Alexander, A.P., Greek Industrialists - An Economic and Social Analysis, Centre for Planning Economic Research, Athens, 1961, p.26.
just an economic entity. So any theory of entrepreneurship can be valid only if it takes into account the psycho-social aspects of the issue.

Authorities on the subject have emphasised that an entrepreneur is one who bears the insurable risks, innovates new ideas or new things, co-ordinates various factors of production and manages the affairs of the business. They have also established that certain factors such as achievement motivation, better childrearing practices and creative personality have influenced the growth of entrepreneurship.

2.4. Motivational Factors in Entrepreneurship

An entrepreneurial venture is born of some motivating factor and its growth is maintained by the sustained tempo of motivation. There are atleast four kinds of motivational factors that launch the entrepreneurs into industrial ventures. They are:

a) Pure
b) Spontaneous
c) Induced; and
d) Motivated

(a) Pure Entrepreneur

A pure entrepreneur may be defined as one whose sense of ego drives him towards entrepreneurship. Such an entrepreneur takes delight in personal satisfaction in work. Though economic reward is constantly kept in mind, the force of the psychological drive plays a great part in the conception and functioning of the industrial ventures of such pure entrepreneurs.

(b) Spontaneous Entrepreneurs

Spontaneous entrepreneurs are different from pure entrepreneurs in the sense that instead of the ego dominating, it is the sense of confidence that induces the efforts of spontaneous entrepreneurs. The Realisation of a natural talent for entrepreneurship in them and the spontaneous ability to make bold initiatives are the distinguishing features of spontaneous entrepreneurs.

(c) Induced Entrepreneurs

The induced entrepreneur is one who starts
a venture by availing the systems, incentives, concessions and other facilities offered by the Government. Such an entrepreneur would be more calculative than the spontaneous entrepreneurs.

(d) Motivated Entrepreneurs

The motivated entrepreneurs are mostly governed by the reason for which they desire to develop economically. This kind of entrepreneur will show a marked tendency to produce and market new products for the use of the consumers.

2.5. Entrepreneurial Growth in India

From the historical point of view the entrepreneurial panorama of India can be classified into three broad categories according to time. The first is Indian Entrepreneurship before the arrival of the British and the establishment of the British rule in India. This can be called the Pre-Colonization period of entrepreneurship. The second is the phase of Indian Entrepreneurship during the British rulership in India. This can be called the pre-independent Indian Entrepreneurship. The third is
the period of Indian Entrepreneurship after India attained independence in 1947. This can be called the Post-Independent Indian Entrepreneurship.

The historical perspective, through the three phases presents in a nut-shell the fluctuating fortunes of Indian Entrepreneurship. Tracing historically the evolution of Indian Entrepreneurship is not simply an attempt to represent the historical perspective, but to perceive a continuity of relationship through the three phases.

So, an analysis of the historical development of entrepreneurship in India is bound to prove useful.

(a) Pre-Colonization Phase of Indian Entrepreneurship

India was a fabulously wealthy country till it was brought under the foreign yoke. The Indian monarchs evinced keen interest in internal and international trade. A number of Indian goods were exported. Chief among the exported items were the textile products of ancient India, Indian silk and muslin, which were of the best quality and of the
finest texture with skilful artistic designs were very much in demand in West Asian and Western countries. There is historical evidence to attest the use of Indian muslin in wrapping Egyptian mummies. Assyria and Babylon imported Indian cotton fabrics. Precious stones, metal ornaments, jewels and fragrant essences made in India enjoyed a world wide market during the first phase of Indian Entrepreneurship.

Besides these items of export, the spices and perfumes of India enjoyed a great demand in the global market in ancient times. The Arabian merchants were the main dealers in the goods mentioned above during the pre-colonial phase of Indian Entrepreneurship. Moreover, pearls of the ancient Pandya Kingdom and ivory from the ancient Chera Kingdom were coveted Indian goods even in the ancient Roman Empire.

During the 16th century the Indian Entrepreneurial ventures extended over vast regions.

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of Central Asia and Africa. During the Moghul period, the Coromandal Coast and Bengal gained entrepreneurial significance. The discovery of the sea-route to India further increased the scope of Indian Entrepreneurship during the time before the British established themselves as rulers in India.

The pattern of Entrepreneurship during the period was on a centralised system. Wealthy merchants and the King organised workshops where the skillful native artisans were brought together. Wages were paid, raw materials were supplied and the finished products of excellence were got ready for marketing both inside and outside the country.

Jaipur, Benaras, Madurai and Masulipatinam were important entrepreneurial centres in ancient India. Ahmedabad, Aurangabad, Dacca, Lohore, Surat and Hyderabad became entrepreneurial centres during the Moghul period. Dharwar, Goa, Mysore, Tanjore, Madurai, Nellore and Visakapatnam became entrepreneurial centres during the periods of the
Marathas and the Nayaks.\textsuperscript{36}

(b) \textbf{Pre-Independent Period}

The British regime in India marked the beginning of entrepreneurial ventures on modern lines. The Pre-independence period saw not only modern industrial enterprises inaugurated by the British, but also the emergence of railway transport, which has become the backbone of modern industry and commerce in India.

The first noticeable entrepreneurial activity was the formation of tea and coffee gardens. From the discovery of an indigenous tea-plant growing in the forests in 1820, a number of private efforts at cultivating tea gardens started. Quite a number of tea gardens began to be cultivated in Assam since 1852. The efforts at cultivating coffee were started by European Planters in 1840. But the production and export of coffee seeds began to flourish only after 1860.\textsuperscript{37}

\textsuperscript{36}Memoria, C.B., Organisation and Financing of Industries in India, Kitab Mahal, Allahabad, 1971, pp.310-311.

\textsuperscript{37}Ibid., p.317.
The other two significant entrepreneurial efforts were Coal mining and the establishment of cotton mills. The first coal mine was opened in Raniganj in 1820. The laying of the railways in 1840 was an impetus to further coal mining activities around Raniganj.38

With regard to the establishment and functioning of the Cotton Mills, though there was no mill functioning between 1854 and 1864, there was a remarkable growth in the Cotton mill industry only after 1864. With the expansion of the railways since 1880, the number of cotton mills too rapidly increased. The Jute industry also picked up tempo. Another remarkable development was the beginning of the Petrol industry on modern lines in 1887.39

(i) Entrepreneurial Pattern During The Pre-Independence Phase

Geographically speaking, two obvious
entrepreneurial patterns dominated the Pre-Independence phase. The first was the sole domination of the field by the Europeans in Eastern part of India. Export oriented industries like jute, textiles, tea and coal flourished in this part of India where because of the partisan attitude of the British Government, the Indian Entrepreneurs could not emerge. Another significant aspect was that the European entrepreneurs utilised Indian Capital to control the Indian entrepreneurial scene.

As a contrast to this situation, the Indian entrepreneurs occupied the front line of activity in Western India. Though the Europeans could exercise control through their political privileges, they could not eliminate the Indian entrepreneurs, here. The main lines of industrial occupation at

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this time were Shipping and Iron and Steel.\textsuperscript{41}

Indian entrepreneurship entered a new dimension during the First World War. The diversion of resources to purposes of War in Europe stopped imports and this indirectly stimulated industries working in India to achieve full capacity. The cotton textile, chemical and tanning and leather industries achieved tremendous progress at the time.\textsuperscript{42}

The Second World War too, like the first gave a fillip to Indian industry. New industries manufacturing machine tools, lathes, drilling and shaping machines furnaces and power blowers were started. The post Second World War period saw the expansion of already existing industries like fertilizers, Caustic Soda, Glass and Cement and the establishment of new industries dealing in Royon, Automobiles, Ball and Roller bearings, Locomotives

\textsuperscript{41} Manokar, Deshpande, V., Entrepreneurship of Small Scale Industries, Deep and Deep Publications, New Delhi, 1984, p.66.

The third and the most remarkable shift in the Indian entrepreneurial scene was witnessed with the Swadeshi movement in 1905. The Swadeshi Textile Mill was started by Jamshedji Tata in 1905. The spirit of the Swadeshi Movement also induced the inauguration of the first Swadeshi Bank - the Indian Bank Ltd, in 1907 in South India. Following this, a large number of new banks were established during this period.

It could be said that the beginning of the Swadeshi Movement and the consequent Swadeshi entrepreneurial development were the roots for the post independent entrepreneurial development in India.

(c) **The Post-Independence Phase**

Since the independence of India, entrepreneurial

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43 Ibid., p.330.

44 *Know Your Bank (for Private Circulation only)* Published by Indian Bank H.O. 31, Rajaji Salai, Madras, July 31, 1985, p.3.
development has been remarkable with the focus and emphasis falling almost equally on the large, medium and small scale industries. The political ideal of Sri Jawaharlal Nehru was to industrialise the nation on the Western model. Therefore, Government policies with regard to industrial development have gone through many modifications aimed at speeding up the process of industrialisation.

The socialistic ideology, as envisioned and implemented by the first Prime Minister of India, focussed mainly on the establishment of industries in the public sector. But this did not mean that the private sector was completely ruled out.

In 1948, the First Industrial Policy Resolution was passed. It emphasised the State's responsibilities with regard to promoting, assisting and developing industries. Though the importance of the private sector was emphasised, the adoption of the socialistic pattern and the nationalisation of Life Insurance business created an element of doubt and difference in the minds of private entrepreneurs. This was perhaps the main reason for the very slow
pace of private sector investment.

The First Industrial Policy, modified and the concept of a mixed economy was propounded in 1956. It was decided to encourage the development of the private sector in certain reserved spheres. The policy of import substitution and the decision to introduce new and advanced technology were the hallmarks of the Industrial Policy of 1956. It took Indian entrepreneurship to the modern concept of Industrial Management and the use of new technology towards enhancing production. As a result of this policy, quite a number of industrial concerns grew up. Diversification, modernisation and expansion led to many small scale units crossing the threshold into medium and large scale units. A number of family entrepreneurs like the Tatas, Birlas, Mafatlals, Dalmias, Kirloskars and other established different kinds of industries.

Gradually a shift in the Government Policy became visible with attention focussed on the small scale sector. The third Industrial Policy of 1977 declared that whatever could be produced by small
and cottage industries must only be so produced. The small industrial sector was classified into:

a) Cottage and household industries  
b) Tiny industries and  
c) Small Scale Industries

The number of products set apart for small scale industrial units were raised from 180 to 807. Another remarkable and innovative measure was the setting up of District Industries Centres which brought under one channel the services and assistance required by small and rural entrepreneurs. The Industrial Development Bank of India opened a separate wing to deal with the credit requirements of small, rural and cottage industries.

The large scale industries like Steel, Cement, Oil Refineries, Fertilizers, Petrochemicals and Pesticides were to provide facilities for the development of small scale industries. The development of a wide range of ancillary industries was encouraged. The inflow of technology was encouraged by the Government of India to enhance technological self-reliance.
The Industrial Policy of 1980 laid down the following objectives:

(i) Optimum utilisation of installed capacity;
(ii) Maximisation of Production;
(iii) Higher employment generation;
(iv) Correction of regional imbalances;
(v) Industrialization of backward areas;
(vi) Preferential treatment to Agro-based industries;
(vii) Promotion of import-substitution industries;
(viii) Promotion of export-oriented industries.

These objectives formed the basis for a more rapid development of entrepreneurship in India.

The New Industrial Policy, announced on May 31, 1990, aims at reorienting industrial growth to subserve the objectives of employment generation, dispersal of industries to rural areas, promotion of small scale industries generally and enhancing their contribution to exports, modernisation and upgradation of technology and achieving international competitiveness. Apart from focussing on the promotion of small scale and agro-processing
industries, the new policy provides for relaxation in procedures for industrial approvals concerning such important areas as licencing, foreign collaboration and import of capital goods, raw materials and components.

For small-scale industries, the new policy provides for enhancement of investment ceilings in plant and machinery from Rs.35 lakhs to Rs.60 lakhs, from Rs.45 lakhs to Rs.75 lakhs for ancillary units and from Rs.2 lakhs to Rs.5 lakhs for Tiny units. The policy also contains a number of other measures for small scale industries to widen their entrepreneurial base, upgrade technology, enlarge the scope for activity by providing for the reservation of more items beyond the present 836 items and checking encroachment and violation by large units into the reserved areas and reduce paper work.45

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2.6. Pattern of Indian Entrepreneurship

The pattern of Entrepreneurship in India falls into five major categories namely Sole Entrepreneurship, Partnership Entrepreneurship, Family Entrepreneurship, Minority Entrepreneurship and Women Entrepreneurship. These categories of entrepreneurship relate to private sector industrial ventures.

(a) Sole Entrepreneurship

The concept of sole entrepreneurship implies that an individual conceived of an entrepreneurial venture, manages, invests capital and takes up individual efforts in other fields like labour, production and marketing management. Since the individual entrepreneur has to focus his attention on diverse entrepreneurial aspects, the sole entrepreneurial concern could only be small so as to make the whole venture manageable. Therefore, this category of entrepreneurship is suitable for small, cottage, rural and tiny industries.
(b) Partnership Entrepreneurship

This category is a modified expansion of the concept of individual or sole entrepreneurship. The coming together of two or more entrepreneurs lessens the burden of capital investment and capital management. It facilitates division of responsibilities among the partners with regard to labour, production and marketing management. It also affords wider scope for implementing new ideas or adopting new measures for promoting the undertaken entrepreneurial venture. But this kind of entrepreneurship is not very much different from the first category in the sense that though the amount of capital investment may be greater in this category and division of responsibilities may facilitate more concentrated efforts at enhanced production and marketing, the scope for investment and the deployment of managerial, production and marketing resources still remains restricted. Therefore, this entrepreneurial category also looks suitable only for small scale industries though the medium scale industries cannot be ruled out from
(c) Family Entrepreneurship

The concept of family entrepreneurship has been operative in India since independence especially on the large scale industrial front. Firms like the Tatas, Birlas, Mafatlal, Dalmia, Kirloskar, TVS, Simpson and Lakshmi prove that the system of family entrepreneurship is not only a well established one in India but also that it has got its own advantages.

Though the ventures in this system must have started on sole proprietary lines, they developed into joint establishments in course of time. The Indian concept of the joint family system is at the root of the development of family entrepreneurship. Members of the joint family took up all responsible positions from top to bottom. So, a comprehensive understanding of and grip on the problems involved, the efforts to be put in and the solutions to be arrived at was easily achieved. Qualified and well-trained members of the family occupying the key nodal positions would exercise their expertise so
that development became quite easy. Another advantage of the system of family entrepreneurship is that the financial resources would be strong and carefully maintained. Interaction among the members of the family at every level and connections through marriage within the branches of the family would keep the firm intact and make the possibility for development greater.\textsuperscript{46}

(d) Minority Entrepreneurship

The minorities in India, protected by the Indian Constitution, have proved to be a successful source of entrepreneurial development in India. The Parsis, the Jains, Christians and the Muslims have proved to be successful trading communities. According to V.I. Pavlov\textsuperscript{47}, the class consciousness of the minorities is at the root of their entrepreneurial success.


(e) **Women Entrepreneurship**

The concept of women-entrepreneurship is of recent origin - though women have been involved at different levels in entrepreneurial ventures for a long time. The recent awakening of entrepreneurial consciousness among women in India has begun to break the monopoly of men in the corporate world. During the initial period of the development of the concept of women entrepreneurship, limited fields like textile and textile-related ventures, cosmetics and related ventures, and Dairy and poultry ventures were considered to be fit for women entrepreneurs. Other fields of industry where vigorous effort and strength of mind were required, were considered to be out of the purview of women entrepreneurs. But this notion has been changing over the years and women entrepreneurs have become exporters of machinery, manufacturers of electrical goods, leading consultants, stock brokers and distributors.

(ii) **Types on the Basis of Nature of Entrepreneurship**

According to the nature of the venture undertaken and the nature of the entrepreneurs a
four-fold classification is possible.

(a) Imitative entrepreneurship,
(b) Protected entrepreneurship,
(c) Innovative entrepreneurship; and
(d) Drone entrepreneurship.

(a) **Imitative Entrepreneurship**

Some entrepreneurs would be reluctant to invest in entrepreneurial projects for fear of a long non-profit gestation period or fear of loss. Such entrepreneurs would not opt for new fields of entrepreneurship. They would desire to have an already established model which they could imitate. Avoiding fresh fields of production, such entrepreneurs would fall in line with the already existing entrepreneurship. Some of the entrepreneurs of this type would prefer collaboration with foreign firms on the assumption that foreign equity capital, transfer and assimilation of advanced technology and the transfer of managerial know-how would raise the possibility of industrial productivity growth
and profit. 48

(b) Protected Entrepreneurship

Entrepreneurs of this type also fight shy of new and original ventures. They expect and require some sort of protection from the Government/Public sector/even large private sector undertakings. In most cases the ventures of such entrepreneurs tend to become ancillary units of production. Consistent productivity based on regular demand from the large sector are marks of protected entrepreneurship. By its nature such entrepreneurship is limited to small-scale industries, to protect and promote which the Government has offered many facilities and concessions.

(c) Innovative Entrepreneurship

Innovative Entrepreneurship is marked by a daring to attempt new experiments in the field of

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entrepreneurship. Showing a spirit of aggression, the new innovative entrepreneur gathers information, assembles various factors, and analyses the results obtained through the data collected. With the results obtained, such an entrepreneur introduces a new commodity, shows willingness to use new techniques of production or even create new markets. Such an entrepreneurship is also marked by the ability to organise the enterprise.49

(d) Drone Entrepreneurship

This kind of entrepreneurship is characterised "by refusal to adopt and use opportunities to make changes in production".50 Even when losses are suffered, entrepreneurs of this type confine themselves to the traditional way without switching over to new methods of production either in production or marketing.


50 Ibid., p.34.
(iii) Entrepreneurship and Stages of Development

Entrepreneurs could be classified into three types depending on the stages of development in entrepreneurship. The three stages are:

(a) First Generation Entrepreneurs
(b) Modern Entrepreneurs; and
(c) Classical Entrepreneurs

(a) First Generation Entrepreneurs

These entrepreneurs start enterprises unaided by any external factor. They are marked by the characteristic of innovative behaviour. They show the readiness to combine different technologies in manufacturing and servicing.

(b) Modern Entrepreneurs

The entrepreneurs who adopt new and enterprising ventures according to changing demands in the market may be called 'modern'. Such entrepreneurs steady and are well-versed with the current marketing needs and changes. In the light of such knowledge, they undertake ventures to cope with the modern trend of change and marketing.
(c) Classical Entrepreneurs

Characterised by self-supporting ventures, classical entrepreneurs show concern for customers' and marketing needs. The essential characteristic of this type is their attempt to maximize the economic returns. The focus may or may not be on the element of growth.

Categories – Based on Level of Growth

According to the level of growth, entrepreneurs could be categorised into "Growth Entrepreneurs" and "Cheaper-Growth entrepreneurs". The growth entrepreneur is one who selects an industry which has enough potential and prospect for growth. The cheaper-growth entrepreneurs are those who have already made great and rapid growth in their entrepreneurial ventures. The criterion to measure the level of growth are usually liquidity of funds, profitability and capital gearing.

(iv) Types on the Basis of Ventures Undertaken

Entrepreneurs could be classified into five categories according to the type of venture undertaken.
(a) Business Entrepreneurs,
(b) Trading Entrepreneurs,
(c) Industrial Entrepreneurs,
(d) Corporate Entrepreneurs; and
(e) Agricultural Entrepreneurs.

(a) **Business Entrepreneurs**

These entrepreneurs start a small trading or manufacturing business after conceiving an idea for a new production or service.

(b) **Trading Entrepreneurs**

The trading entrepreneurs are concerned with and engaged in trading activities only. Their concern is to find markets for products.

(c) **Industrial Entrepreneurs**

These entrepreneurs show an ability to manipulate economic resources and to adopt adequate technology to make the enterprise profitable.

(d) **Corporate Entrepreneurs**

The corporate entrepreneur is one who organises and manages a corporate undertaking.
(e) Agricultural Entrepreneurs

This category consists of those entrepreneurs who are directly engaged in production and marketing of agricultural goods, entrepreneurs dealing in fertilizers and also entrepreneurs engaged in agro-allied enterprises.

(v) Types on the Basis of Technology Adopted

Depending upon the use of technology, entrepreneurs could be classified into:

(a) Technical Entrepreneurs,
(b) Non-Technical Entrepreneurs; and
(c) Professional Entrepreneurs

(a) Technical Entrepreneurs

A technical entrepreneur is viewed as a craftsman. He is concerned with improving the quality of the present product and also with developing new products. The main concern of the technical entrepreneur is production.

(b) Non-Technical Entrepreneurs

Non-Technical entrepreneurs are not concerned
with the technical or production aspects. Their focus is on developing the marketing and distribution aspects of the business.

(c) Professional Entrepreneurs

Such entrepreneur show great dynamism to establish a unit. But the main interest does not lie in managing the unit. Their professional characteristics make them focus on new ideas to develop alternative projects.

(vi) Classification Based on Geographical Location

Entrepreneurial ventures could be classified according to the location of the industrial units. Some entrepreneurs may prefer starting an enterprise in areas declared 'backward' by the Government. The reasons for locating industrial units in backward areas may be many. Easy availability of labour, concessions offered by the Government for such units and the likelihood of minimum or no labour problems may be some of the reasons. Units which are based on contracts from larger units cannot be located in backward areas unless there are larger units nearby.
Many industrial units are established in rural areas. Units requiring less investment and units concerned with rural needs could be located in such areas. In addition units that employ the skill of rural artisans and which could easily get raw-materials in those areas are located there.

Industrial units with a relatively higher investment and requiring skilled labour would be located in semi-urban areas. The need for infrastructural facilities and the requirement of the immediate attention of Government agencies concerned with entrepreneurial development may also determine the location of industrial units in semi-urban/urban areas. Those industrial units with higher investment and requiring latest scientific and technological aids and specialised skills would be located in urban areas. Besides ancillary and servicing small units are likely to be located in semi-urban/urban areas.

(vii) Major Categories of Entrepreneurship

Entrepreneurship could be classified under two broad categories namely Government Entrepreneurship
and Private Entrepreneurship.

(a) Government Entrepreneurship

The economy of a developed/developing country depends greatly on industrial planning and development. Especially in a developing country like India, the government has to establish a model and be a forerunner in the field of industrial development. With an industrially oriented government since independence and with emphasis on socialism and mixed economy, the Government itself had to venture directly into entrepreneurial ventures. Hence, a large number of public sector undertakings have been established since 1947. Since the Government itself is the entrepreneur in public sector units, investment, manpower and management factors could easily be organised in them. Since the Government is the overall super structure, the industrial ventures launched directly by the Government were directed more towards large and medium industrial establishments. The motive of Government entrepreneurship was to promote industrialisation to build up the national economy to create
employment potential and to earn foreign exchange. Profit is not the major criterion in Government entrepreneurships.

(b) Private Entrepreneurship

Even since the passing of the Industrial Policy Resolution of 1948, the Government has been encouraging private sector undertakings. This was in agreement with the policy of a mixed economy adopted by the Government since the time of Pandit Jawaharlal Nehru. Facilities, concessions and encouragements have been offered at all levels to all categories of entrepreneurship in the large, the medium and the small scale industries. The great names like Tata, Birla, Kirloskar, TVS, Mafatlal, and the like have been associated with large scale industries. For the past few decades, the emphasis of the government has shifted towards the development of small scale, cottage and tiny industries. All forms of assistance have been offered by the Government to private entrepreneurs especially in the small, cottage and tiny sectors. The remarkable growth of private entrepreneurship
in these three sectors is largely due to the Government's determination to promote such entrepreneurship.

2.7. Summary

The foregoing discussion has brought to light the significance and evolution of the concept of entrepreneurship. This chapter has also focussed on the historical evolution of entrepreneurship in India. It has also presented and analysed the various dimensions of entrepreneurship, and surveyed the efforts of the Indian Government, over the years, to promote entrepreneurship in both public and private sectors.