CHAPTER 2

CONTRIBUTION OF ENTREPRENEURSHIP IN THE INDIAN ECONOMY: CREATING VALUE

THE EVOLUTION OF ENTREPRENEURSHIP

History of Entrepreneurship in India

The history of entrepreneurship is important worldwide, even in India. In the pre-colonial times the Indian trade and business was at its peak. Indians were experts in smelting of metals such as brass and tin. Kanishka Empire in the 1st century started nurturing Indian entrepreneurs and traders.

Following that period, in around 1600 A.D., India established its trade relationship with Roman Empire. Gold was pouring from all sides. Then came the Portuguese and the English. They captured the Indian sea waters and slowly entered the Indian business. They forced the entrepreneurs to become traders and they themselves took the role of entrepreneurs. This was the main reason for the downfall of Indian business in the colonial times which had its impact in the post-colonial times too. The colonial era made the Indian ideas and principles rigid.

A region of historic trade routes and vast empires, the Indian subcontinent was identified with its commercial and cultural wealth for much of its long history. Gradually annexed by the British East India Company from the early eighteenth century and colonized by the United Kingdom from the mid-nineteenth century, India became an independent nation in 1947 after a struggle for independence that was marked by
widespread nonviolent resistance. It has the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power. Economic reforms since 1991 have transformed it into one of the fastest growing economies however, it still suffers from high levels of poverty, illiteracy, and malnutrition. For an entire generation from the 1950s until the 1980s, India followed socialist-inspired policies. The economy was shackled by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, the nation has moved towards a market-based system.  

Entrepreneurship is the result of three dimensions working together: conducive framework conditions, well-designed government programmes and supportive cultural attitudes. Across these three perspectives of entrepreneurship, two major conclusions are apparent. Firstly, the economic, psychological and sociological academic fields accept that entrepreneurship is a process. Secondly, despite the separate fields of analysis, entrepreneurship is clearly more than just an economic function.

**Economy of India before British-Raj**

The Indian economy in the Pre-British period consisted of isolated and self-sustaining villages on the one hand, and towns, which were the seats of administration, pilgrimage, commerce and handicrafts, on the other. Means of transport and communication were highly underdeveloped and so the size of the market was very small. To understand Pre-British India, it is essential to study the structure of the village community, the character of towns, the character of internal and foreign trade, the state of the means of transport and communications.

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The structure and organisation of villages

The village community was based on a simple division of labour. The farmers cultivated the soil and tended cattle. Similarly, there existed classes of people called weavers, goldsmiths, carpenters, potters, oil pressers, washer men, cobbler, barber-surgeons, etc. All these occupations were hereditary and passed by tradition from father to son. These craftsmen were paid a stipend out of the crops at the harvest time in lieu of the services performed.

Most of the food produced in the village was consumed by the village population itself. The raw materials produced from primary industries were the feed for the handicrafts. Thus, the interdependence of agriculture and hand industry provided the basis of the small village republics to function independently of the outside world. Sir Charles Metcalfe writes in this connection: "The village communities are little republics having nearly everything they want within themselves; and almost independent of foreign relations. They seem to last where nothing lasts. This union of the village communities, each one forming a separate little state by itself is in a high degree conducive to their happiness, and to the enjoyment of a great portion of freedom and independence."

The villages did acknowledge some outside authority, who in turn may be under a Muslim Nawab or a Hindu king, by paying a portion of the agricultural produce varying between one-sixth to one-third or even in some periods one-half as land revenue. The land revenue sustained the government.

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There were three distinct classes in village India: (i) the agriculturists, (ii) the village artisans and menials, and (iii) the village officials. The agriculturists could be further divided into the land-owning and the tenants. Labour and capital needed was either supplied by the producers themselves out of their savings or by the village landlord or by the village moneylender. These credit agencies supplied finance at exorbitant rates of interest but since the moneylender and the landlord were the only sources of credit, the peasants and even the artisans were forced to depend on them. The village artisans and menials were the servants of the village. Most of the villages had their panchayats or bodies of village elders to settle local disputes. The panchayats were the courts of justice. The villages of India were isolated and self-sufficient units which formed an enduring organisation but this should not lead us to the conclusion that they were unaffected by wars or political upheavals. They did suffer the aggressors and were forced to submit to exactions, plunder and extortion, but the absence of the means of transport and communications and a centralized government helped their survival.

**Industries and handicrafts in pre-British India**

The popular belief that India had never been an industrial country is incorrect. It was true that agriculture was the dominant occupation of her people but the products of Indian industries enjoyed a worldwide reputation. The muslin of Dacca, the calicos of Bengal, the sarees of Banaras and other cotton fabrics were known to the foreigners. Egyptian mummies dating back to 2000 B.C. were wrapped in Indian muslin. Similarly, the muslin of Dacca was known to the Greeks under the name Gangetika.
The chief industry spread over the whole country was textile handicrafts. The high artistic skill of the Indian artisans can be visualised from this account given by T.N. Mukherjee: "A piece of the muslin 20 yards long and one yard wide could be made to pass through a finger ring and required six months to manufacture.\(^{10}\) Besides the muslins, the textile handicrafts included chintzes of Lucknow, dhotis and dopattas of Ahmedabad, silk, bordered cloth of Nagpur and Murshidabad. In addition to cotton fabrics, the shawls of Kashmir, Amritsar and Ludhiana were very famous. Not only that India was also quite well-known for her artistic industries like marble-work, stone-carving, jewellery, brass, copper and bell-metal wares, woodcarving, etc. The cast-iron pillar near Delhi is a testament to the high level of metallurgy that existed in India.

The Indian industries "not only supplied all local wants but also enabled India to export its finished products to foreign countries."\(^{11}\)

Thus, Indian exports consisted chiefly of manufactures like cotton and silk fabrics, calicos, artistic wares, silk and woolen cloth. Besides, there were other articles of commerce like pepper, cinnamon, opium, indigo, etc. In this way, Europe was a customer of Indian manufactures during the 17th and 18th centuries. It was this superior industrial status of India in the pre-British period that prompted the Industrial Commission (1918) to record: "At a time when the West of Europe, the birth place of modern industrial system, was inhabited by uncivilised tribes, India was famous for the wealth of her rulers and for high artistic skill of her craftsmen. And even at a much later period, when the merchant adventures

\(^{10}\) Quoted by D.R. Gadgil, The Industrial Evolution of India, p. 34.

\(^{11}\) Ranade, Essays on Indian Economics, p. 171.
from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations.”

Economic consequences of British conquest India had been conquered before the British too but the invaders settled in India. The difference of the British conquest lies in the fact that it led to the emergence of a new political and economic system whose interests were rooted in a foreign soil and whose policies were guided solely by those interests. Whereas the early invaders Indianized themselves, the British tried to keep a distance between them and the Indian people and thus created the distinction erstwhile not known to Indian history--the foreign rulers and the Indian subjects.

The British rule can be divided into two epochs, first the rule of the East India Company ranging from 1757 to 1858, and second, the rule of the British Government in India from 1858 to 1947. The establishment of the British rule itself was a slow and lengthy process, extending over more than a hundred years. The British conquest which started in 1757 with the Battle of Plassey was completed only by 1858. During this period England was passing through the period of changes in the techniques of production which revolutionized manufacturing. The coming of Industrial Revolution, which synchronized with the period of British conquest helped the British to sell machine made goods in India in competition with Indian handicrafts. The British conquest led to the disintegration of the village community partly by the introduction of the new land revenue system and partly by the process of commercialisation of agriculture. The new land system and the

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commercial agriculture meant untold exploitation of the Indian peasantry and the country was consequently plagued by frequent famines. The British were not interested in developing India as such. The growth of railways or the spread of irrigation or the expansion of education or the creation of revenue settlements were all initiated with one supreme goal, i.e., to accelerate the process of economic drain from India.

Decline of Indian handicrafts and progressive ruralisation of the Indian economy:

Before the beginning of Industrial Revolution in England, the East India Company concentrated on the export of Indian manufactured goods, textiles, spices, etc., to Europe where these articles were in great demand. The Industrial Revolution reversed the character of India's foreign trade. Tremendous expansion of productive capacity of manufactures resulted in increased demand of raw materials for British industry and the need to capture foreign markets. As a first step, attempts were made to restrict and crush Indian manufactures. On the other hand, efforts were made to commercialize agriculture so as to step up the export of raw materials. The Indian textile handicrafts were the first to be hit. The decline of this industry started a chain reaction leading to the speedy decline of other handicrafts. The process of decline of handicrafts was accelerated by the development of means of transport. The principal causes that led to the decay of handicrafts were as follows: -

a) Disappearance of Princely Courts: The growth of quite a number of industries and towns was possible owing to the patronage of nawabs, princes, rajas and emperors who ruled in India. The British rule meant the disappearance of this patronage enjoyed by the
handicrafts. Cotton and silk manufactures suffered especially. Besides, the artisans who manufactured specially designed articles for display and decoration of courts also suffered because of a decline in the demand for works of art.

b) **Hostile policy of the East India Company and the British Parliament:** The British were always guided by their own interests and never bothered to consider the effects of their policies on the people of India in terms of unemployment, human suffering, famines, etc. They formulated certain policies, and propagated them but when conditions changed in England they were quick to reverse or suitably alter them. The British economists always tried to provide the theoretical basis of these policies and behind the theoretical formulations were the British interests. For instance, in the first half of the 18th century, the British used tariff with the object of protecting their woolen and silk manufactures on the one hand and of raising additional revenues to finance continental wars, on the other. The period 1882 to 1894 was one of complete free trade. By this time, England had developed industrially to such an extent that unrestricted competition of British manufactures with Indian handicrafts led to their decline. It was only when England rose to the position of industrial supremacy that free trade was advocated by the British economists and administrators. Thus, the British manufacturers employed the arm of political injustice in order to exploit the Indian market. The selfish policy of the British imperialists crippled Indian industries and helped the process of industrialisation in Britain.
c) **Competition of machine-made goods**: The large-scale production that grew as a result of Industrial Revolution meant a heavy reduction in costs. It also created a gigantic industrial organisation and, consequently, the machine-made goods began to compete with the products of Indian industries and handicrafts. This led to the decline of textile handicrafts -- the largest industry of India. Whereas the British emphasized the free import of machine-made manufactured goods they did not allow the import of machinery as such. The decline of Indian handicrafts created a vacuum which could be filled by the import of British manufactures only. Thus, India became a classic example of a colonial country supplying her imperialist ruler’s raw materials and foodstuffs and providing markets for the manufactures of her rulers. The development of roads, railways and telegraphs, intensified the competition between indigenous and foreign goods and hastened the process of the decline of handicrafts. The opening of the Suez Canal in 1869 reduced transport costs and thus made the exploitation of the Indian market easier.

**d) The development of new forms and patterns of demand as a result of foreign influence**: With the spread of education, a new class grew in India which was keen to imitate western dress, manners, fashions and customs so as to identify itself with the British officials. This led to a change in the pattern of demand. Indigenous goods went out of fashion and the demand for European commodities got a fillip. Besides, there was a loss of demand resulting from the disappearance of princely courts and nobility. Thus, the British rule, silently but surely, alienated the Indians not
only from Indian culture but also diverted in its favour their form and pattern of demand for goods.

The destruction of Indian handicrafts had far-reaching economic consequences. It led to unemployment on a vast scale. Since textile industry was the worst sufferer in this process, the weavers were hit the most. Lord William Bentinck reported in 1834: "the misery hardly finds a parallel in the history of commerce. The bones of cotton weavers are bleaching the plains of India."

Another consequence of the decline of handicrafts was the compulsory back-to-the-land movement. The British destroyed the institution of Indian handicrafts but did not care to provide an alternative source of employment. The unemployed craftsmen and artisans shifted to agriculture and increased the proportion of population dependent on land. This trend of the growing proportion of the working force on agriculture is described as 'progressive ruralization' or 'deindustrialization of India'. In the middle of the nineteenth century, about 55 percent of the population was dependent on agriculture, in 1901 it was about 68 percent, the proportion went up to about 72 percent in 1931. Thus, the increased pressure of population on land was responsible for progressive subdivision and fragmentation of holdings. It led to an increase in landrents charged from tenants. It meant an increase in the number of landless labourers. Thus, the crisis in handicrafts and industries seriously crippled Indian agriculture.
Process of industrial-transition in India:

The process of industrial transition in the British period is broadly divided into industrial growth during the 19th century and industrial progress during the 20th century. It was mainly the private sector — whether indigenous or foreign — that carried industrialisation forward. Only after the First World War some protection was granted to Indian industries otherwise Indian industry had to weather all storms and face world competition on its own strength. This explains the slow growth of industrialisation.

1. Private enterprise and industrial growth in the 19th century: The outstanding industrial events of the 19th century were the decline of indigenous industries and the rise of large-scale modern industries. This change was brought about by private enterprise. The rise of large-scale industries was slow in the beginning but by the close of the 19th century, the movement was more rapid.

The period 1850-55 saw the establishment of the first cotton mill, first jute mill and the first coal mine. In the same period, the first railway line was laid in India. In a period of 25 years, that is, by the last quarter of the 19th century, there were 51 cotton mills and 18 jute mills. During the same period, India produced one million tonnes of coal per annum and the Indian railways had a mileage of 8,000 km. By the end of the 19th century, there were 194 cotton mills and 36 jute mills, and coal production had risen to over 6 million tonnes per annum. In spite of the very rapid increase in industrialisation and the fact that the foundations for the development of modern industries for the utilisation of coal and iron
resources were laid by the end of the 19th century, India was being gradually converted into an agricultural colony of the British. By 1900, India had become a great exporter of rice, wheat, cotton, jute, oilseeds, tea, etc. and an importer of British manufactures. In this way, India had become an appendage of the British colonial system.

During the 19th century, it was but natural that British business should pioneer industrial enterprise in India. The Britishers had experience of running industries at home. British enterprise received maximum state-support. Besides, much of the business developed in India was related either to the Government or interests in some way connected with Britain. Though industrialisation was started by the British in the 19th century, the Britishers were more interested in their profit and not in accelerating the economic growth of India.

Apart from the British, the Parsis, the Jews and the Americans were also prominent first as merchants and later as industrialists. They were close-knit and highly progressive communities. The Parsis were particularly progressive to rapidly adopt European business methods.

Within the Indian community, conditions were not favourable for the emergence of industrial leaders, partly because of the peculiar way in which factory industry came to India, as compared to its development in England. In the West two principal groups were ready to set up factories: the merchants and the master craftsmen. The merchants had capital, marketing ability and capacity to manage labour. The master craftsmen did not have capital but had understood
the materials and their proper handling. Because of certain peculiar features, neither Indian merchants nor Indian craftsmen took interest in the factory system. Most Indian merchants belonged to the Baniya or money lending community. They possessed capital and were always eager for its security and profits. But when the factory system was introduced in India by the British, the merchant class found greater opportunities for trade. The development of shipping and the building of railways resulted in larger trade, both external and internal. Besides, there were more opportunities for lending money. Thus, the merchants found greater scope for profits in their traditional occupations and hence did not give them up and take to the factory industries.

At the same time, Indian craftsmen too did not play the part played by their western counter-parts in the field of industrialisation because they did not possess large capital. Besides, they were without proper training and education.

However, Indians joined the ranks of industrialists early in the middle of the 19th century and their role grew throughout the period, continuously and steadily. They used the same managing agency system as the Britishers. They were becoming increasingly important members of companies established by the Britishers. Those indigenous business groups who gave up traditional occupations and who took to industrial ventures were the Parsis, the Gujaratis, the Marwaris, the Jains and the Chettiar.

2. Private enterprise and industrial growth in the first half of the 20th century: In 1905, the Swadeshi movement was started. It
stimulated Indian industries and there was a slow but steady growth in the field of existing industries as well as the establishment of new industries between 1890 and the outbreak of the war of 1914. Over 70 cotton mills and nearly 30 jute mills were set up in the country. Coal production was more than doubled. Extension of railways continued at the rate of about 800 miles per annum. The foundation of iron and steel industry was finally laid during this period.

The war of 1914-18 created enormous demand for factory goods in India. Imports from England and other foreign countries fell substantially. Besides, the government demand for war-purposes increased considerably. As a result, great stimulus was given to the production of iron and steel, jute, leather goods, cotton and woollen textiles. Indian mills and factories increased their production and were working to full capacity, but on account of the absence of heavy industries and also of the machine tools industry, they could not develop fast enough.

**Tariff protection to Indian industries:**

In 1923, the Government of India accepted the recommendations of the First Fiscal Commission and gave protection to selected Indian industries against foreign competition. Between 1924 and 1939 several major industries were given protection by the Government, prominent among them being iron and steel industry, cotton textiles, jute, sugar, paper and pulp industry, matches, etc. Indian industrialists took advantage of the policy of protection extended by the Government and developed the protected industries rapidly. They were able to capture the entire
Indian market and eliminate foreign competition altogether in important fields.

The outbreak of the war in 1939 created very urgent demand for manufactured goods. The imports from foreign countries declined while the government demand for them increased. Naturally, the existing industries expanded rapidly. Many new industries which came to be known as war babies were started. But as during the First World War, the Indian industries suffered again for want of replacements, stores and technical knowledge. The increase in industrial output between 1939 and 1945 was about 20 percent. But the conditions created by the war led to the maximum utilisation of existing capacity. The conditions of shortage created by the Second World War continued in the post-war period, but the overall index of output went up by only 5 percent between 1945 and 1950.

Decline ill the share of foreign enterprise. By the beginning of the First World War the British controlled at least half the production in India's major industries. But this control steadily declined. According to one estimate, the British controlled 43 percent of gross assets in 1914, 10 percent in 1935 and only 3.6 percent in 1948.

3. Causes of slow growth of private enterprise in India's industrialisation (1850-1957): It is important to find out the reasons why Indian industry did not expand significantly relative to the rest of the economy over the hundred years before Independence. They were:
i. Unimaginative private enterprise: One important reason frequently mentioned is the inadequacy of entrepreneurial ability. Indians were reluctant to enter the industrial field because of the comparatively easier and secure scope for profit which existed in trading and money lending. The Britishers who pioneered industrial change in India were not really interested in industrialisation of the country as such. But then Indian industrialists too were so short-sighted, they rarely bothered about the future and cared very little for replacement and for renovation of machinery. They were influenced by nepotism rather than ability in their choice of personnel. They were also influenced by their trading background viz., high price and high profit margin rather than low prices and larger sales. They emphasized sales than production. To a certain extent, therefore, unimaginative private enterprise was responsible for the slow growth of industrialisation in this country.

ii. Problem of capital and private enterprise: In the 19th and 20th centuries, Indian industrialists had suffered from lack of adequate capital. Just as British enterprise was prominent, so also British Capital was significant in India's industrialisation. A larger part of the total invested capital in modern enterprises in India was imported from Britain. Capital was scarce not only because the resources of the country were underdeveloped but also because the avenues for the investment of surplus wealth were few. There were no Government loans or company stocks and debentures. Accordingly, people held their wealth in the form of gold and silver.
There was complete absence of financial institutions to help the transfer of savings to industrial investment. The indigenous financial institutions concerned themselves with rural money lending and financing of internal trade. Institutions which concerned themselves with rural savings for a comparatively long period were altogether neglected. In the early days of industrialisation, people were generally hesitant to entrust their savings to the company promoters.

Banking was not highly developed in India and was more concerned with commerce rather than with industry.

The Industrial Commission wrote in 1918: "The lack of financial facilities is at present one of the most serious difficulties in the way of extension of Indian industries." By 1870 there were only two joint stock banks of more than Rs. 5 lakhs capital each in the country. Even in the beginning of the 20th century, there were only 9 such banks. The swadeshi movement gave a fillip to the starting of banks but the number of bank failures in this period was so great as to cancel any good effect from banking expansion. The private bankers and joint stock banks did provide funds for industrial enterprises but this aid was limited to well-established concerns only.

It is interesting to note that Indian factory-owners followed closely the British system as regards capital resources. In the beginning funds for investment came from surpluses earned in rural money lending and trading. But, in course of time new resources were also tapped. For instance rulers and princes, those
who amassed wealth from opium trade and in the cotton boom during the civil war in America, wealthy professional people like doctors and lawyers, Government officials, etc.--these people were induced to part with their wealth and savings for investment in industrial enterprises. The textile mills of Ahmedabad and to a small extent those of Bombay and Sholapur attracted deposits from the public. It is true that shortage of capital did affect industrialisation in India but too much importance should not be given to this factor alone.

iii. Private enterprise and the role of Government: One of the important reasons and according to some authorities, the most important reason for the slow growth of Indian industries was the lack of support from the Government. In the 19th century, the Government did provide certain overhead investments which helped private enterprise. Examples were the railways and communications. But the Government did not provide the other conditions essential for private enterprise. The important fact to remember is that in the critical years of growth (between 1850 and 1947) Indian enterprise was operating under a foreign government which was extremely unsympathetic to native private enterprise.

The tariff policy in India reflected the needs of business interests in Great Britain. The British interests advocated free access to the Indian market. Till 1924 the Government refused to impose custom duties on the import of foreign goods. Even when they imposed low duties on some goods for purposes of
collecting revenue, they sought to neutralize their effects by imposing equivalent excise duties on goods of local origin. When the Government ultimately adopted a policy of protection, it did not give protection to all industries but only to a few selected industries which fulfilled certain specified conditions.

It may be mentioned here that the British Government in India leaned heavily on industry in Britain for its large purchases of equipment for public utility in health and education, railway and military supplies, etc. Even simple machines and standard supplies were imported. Those orders could have served to stimulate expansion in Indian industry.

In spite of these difficulties, we must admire the achievements of India's indigenous business communities since 1850. At the same time, we can readily understand why industrial effort was not sufficient to accomplish a transition to industrialisation, to spark modernisation of agriculture and industrial activities comparable to those achieved in sovereign independents nations.

**Employment policy of the eleventh plan**

Scenario of employment and unemployment on the eve of the 11th Plan. The Approach Paper of the 11th Plan has highlighted the following issues:

1. Average daily status unemployment rate, which had increased from 6.1% in 1993-94 to 7.3% in 1999-2000 increased further to 8.3% in 2004-05.

2. Agricultural employment has increased at less than 1% per annum, slower than the growth in non-agricultural employment.
3. Among agricultural labour households which represent the poorest groups, there was a sharp increase in unemployment from 9.3% in 1993-94 to a high level of 15.3% in 2004-05.

4. Non-agricultural employment expanded robustly at an annual rate of 4.7% during 1999-2005 but this growth was entirely in the unorganized sector and mainly in low productivity self-employment.

5. Employment in the organized sector actually declined by 0.38% per annum during 1994-2000, despite fairly healthy GDP growth. This is a cause for frustration among the educated youth who have rising expectations.

6. According to Annual Survey of industries, real wages stagnated or declined even for workers in the organized sector although managerial and technical staff did secure large increase.

**Employment Requirements during the Eleventh Plan (2007-2012)**

On account of the increasing participation of females, the total increase in labour force will be around 65 million during the 11th Plan. To this may be added the present backlog of about 35 million. Thus, the total job requirements of the 11th Plan work out be 100 million.

The planner aims to provide 65 million additional employment opportunities. As a consequence, the Approach Paper states: "This will not create full employment, but it will at least ensure that the unemployment rate falls somewhat." However, even this modest goal implies that the rate of growth of non-agricultural employment would need to accelerate to 5.8% per annum from 4.7% in 1999-2005. In other words, a massive
reversal is required from the negative employment growth in the organized sector witnessed during the last decade.

**Small Scale Enterprises in India**

A common classification is between traditional small industries and modern small industries. Traditional small industries include khadi and handloom, village industries, handicrafts, sericulture, coir, etc. Modern small-scale industries produce a wide range of goods from comparatively simple items to sophisticated products such as television sets; electronics control system, various engineering products, particularly as ancillaries to the large industries. The traditional small industries are highly labour-intensive, while the modern small-scale units make use of highly sophisticated machinery and equipment. For instance, during 1979-80 traditional small industries accounted for only 13 percent of the total output but their share in total employment was 56 percent. In that year, total output of traditional small industries came to be Rs. 4,420 crores and this output was produced with the employment of 133 lakh workers, the average output of labour in traditional small industries was roughly Rs. 3,323.

As against this, the share of modern small industries in the total output of this sector was 74 percent in 197980 but their share in employment was only 33 percent. Obviously, these industrial units would be having higher labour productivity. For instance, in 1979-80 a total output of Rs. 24,885 crores was produced by 78 lakh workers in modern small-scale industries-the average product of labour being Rs. 31,900.
One special characteristic of traditional village industries is that they cannot provide full time employment to workers, but instead can provide only subsidiary or part-term employment to agricultural labourers and artisans. Among traditional village industries, handicrafts possess the highest labour productivity; besides, handicrafts make a significant contribution to earning foreign exchange for the country. Under these circumstances, active encouragement of handicrafts is a must. On the other hand, traditional village and small industries are largely carried on by labourers and artisans living below the poverty line, while modem small industries can provide a good source of livelihood. Hence, if with an expansion of employment, the number of persons living below the poverty line has also to be reduced, then a rapid and much larger expansion of the modem small sector will have to be panned.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources.

Although each of these definitions views entrepreneurs from a slightly different perspective, they all contain similar notions, such as newness, organizing, creating, wealth, and risk taking. Yet each definition is somewhat restrictive, since entrepreneurs are found in all professions education, medicine, research, law, architecture, engineering, social work, distribution and government.
Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.

This definition stresses four basic aspects of being an entrepreneur regardless of the field. First, entrepreneurship involves the creation process—creating something new of value. The creation has to have value to the entrepreneur and value to the audience for which it is developed. These viewers can be (1) the market of organizational buyers for business innovation, (2) the hospital’s administration for a new admitting procedure and software, (3) prospective students for a new course or even college of entrepreneurship, or (4) the constituency for a new service provided by a nonprofit agency. Second, entrepreneurship requires the devotion of the necessary time and effort. Only those going through the entrepreneurial process appreciate the significant amount of time and effort it takes to create something new and make it operational. As one new entrepreneur so succinctly stated, “While I may have worked as many hours in the office while I was in industry, as an entrepreneur I never stop thinking about the business.” Assuming the necessary risks is the third aspect of entrepreneurship. These risks take a variety of forms, depending on the field of effort of the entrepreneur, but usually center around financial, psychological, and social areas. The final part of the definition involves the rewards of being an entrepreneur. The most important of these rewards is independence, followed by personal satisfaction. For profit entrepreneurs, money becomes the indicator of the degree of success.
MEANING AND DEFINITION OF ENTREPRENEUR

An entrepreneur is a person who starts an enterprise. He searches for change and responds to it. An entrepreneur is an economic agent who unites all means of production - land of one, the labour of another and the capital of yet another and thus, produces a product. By selling the product in the market, he pays rent of land; wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

The word “entrepreneur” is derived from the French verb “enterprendre”. It means “to undertake”.13

The Frenchmen who organized and led military expeditions were referred to as “entrepreneurs”.

Around 1700 A.D. the term was used for architects and contractor of public works.

In many countries, the term entrepreneur is often associated with a person who starts his own new business. Business encompasses manufacturing, transport, trade and all other self employed vocation in the service sector. Entrepreneurship has been considered as the propensity of mind to take calculated risk with confidence to achieve predetermined business objectives. There are many views and opinions on the concept of entrepreneurship forwarded by some of the world famous management

gurus and economists as mentioned below which will help in understanding this concept.

**Oxford Dictionary**

“A person who sets up a business or businesses, taking on financial risks in the hope of profit”\(^{14}\)

**International Encyclopedia**

“An individual who bears the risk of operating a business in the face of uncertainty about the future conditions”\(^{15}\)

A number of definitions have been given of an entrepreneur- The economists view him as a fourth factor of production along with land labour and capital. The sociologists feel that certain communities and cultures promote entrepreneurship like for example in India we say that Gujaratis and Sindhis are very enterprising. Still others feel that entrepreneurs are innovators who come up with new ideas for products, markets or techniques. To put it very simply an entrepreneur is someone who perceives opportunity, organizes resources needed for exploiting that opportunity and exploits it. Computers, mobile phones, washing machines, ATMs, Credit Cards, Courier Service, and Ready to eat Foods are all examples of entrepreneurial ideas that got converted into products or services.

According to Schumpeter (1934) “entrepreneurs are innovators who use a process of shattering the status quo of the existing products and

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services, to set up new products, new services”.

Adam Smith The entrepreneur as an individual who forms an organization for commercial purpose. His/her is proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labor and the consumer.

“Entrepreneur is an employer, master, merchant but explicitly considered as a capitalist”.

Hoselitz According to him, in an underdeveloped economy, not to speak of the Schumpetarian innovators, even imitator-entrepreneurs had a distinct role to play. In underdeveloped economy, resources are limited and cannot be utilized for further developments of products. Developing or underdeveloped countries always have potential for imitated products because of huge demand in market. Imitating entrepreneurs have great opportunities in such market and can create more number of jobs for others.

The entrepreneur is the one who undertakes to organize, manage, and assume the risks of a business. In recent years entrepreneurs have been doing so many things that it is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these' efforts.

The entrepreneur is the aggressive catalyst for change in the world of business. He or she is an independent thinker who dares to be different in a
background of common events. The literature of entrepreneurial research reveals some similarities, as well as a great many differences, in the characteristics of entrepreneurs. Chief among these characteristics are personal initiative, the ability to consolidate resources, management skills, a desire for autonomy, and risk taking. Other characteristics include aggressiveness, competitiveness, goal-oriented behavior, confidence, opportunistic behavior, intuitiveness, reality-based actions, the ability to learn from mistakes, and the ability to employ human relations skills.16

**WHO IS AN ENTREPRENEUR**

- He is a person who develops and owns his own enterprise.
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative.
- He peruses the deviant pursuits.
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Dissatisfied with routine activities.
- Prepared to withstand the hard life.
- Determined but patient.
- Exhibits sense of leadership.
- Also exhibits sense of competitiveness
- Takes personals responsibility.

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Oriented towards the future.
Tends to persist in the face to adversity.
Convert a situation into opportunity.

**The characteristics of a unique entrepreneur are:**

- Need for achievement.
- High need for power.
- Independence.
- Propensity to take risk.
- Personal modernity.
- Support.
- Business enterprise.
- Leadership.

The economic activity with a profit motive can only be generated by promoting an attitude towards entrepreneurship. The renewed interest in the development of entrepreneurship to take up new venture should emphasize on the integrated approach. The developments of entrepreneurship will optimize the use of the unexploited resources; generate self-employment and a self-sufficient economy.

The young entrepreneur should be motivated to come out with determination to do something of their own and also to contribute to the national income and wealth in the economy. If the country wants to achieve the growth at the grass root level, through social justice and the crimation of poverty, it will have to provide institutional support and structural changes in organization of financial institutions to promote
entrepreneurship development. Industrial development in any region is the outcome of purposeful human activity and entrepreneurial thrust.

According to Peter Drucker (1964), “An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource”.

The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered. In particular, the concept of entrepreneurship from a personal perspective has been thoroughly explored in this century. The exploration is reflected in the following three definitions of an entrepreneur:

To an economist, an entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order. To a psychologist, such a person is typically driven by certain forces the needs to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others. To one businessman, an entrepreneur appears as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste, and produce jobs others are glad to get.

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing and reorganizing of social and
economic mechanisms to turn resources and situations to practical account, 
(3) the acceptance of risk or failure.

**MEANING AND DEFINITION OF ENTREPRENEURSHIP**

Entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good. Entrepreneurship involves risk taking, being innovative as well as using knowledge and skills to set up new ventures or diversify from existing ones. Entrepreneurship adds significant value to the economy by creating wealth and generating employment. India has a rich tradition of Entrepreneurship, practiced in diverse ways. Entrepreneurship is embedded in the Indian mindset. After economic liberalization, there has been increased salience of Entrepreneurship in India, particularly in the high growth and knowledge intensive sectors. Entrepreneurship flourishes as a combined result of a number of key triggers such as individual motivations, socio-cultural attitudes, and access to early stage finance, education and incubation as well as the overall business environment.

David Meelland emphasized the importance of achievement motivation as the basis of entrepreneurial personality and a cause of economic and social development through entrepreneurship by fulfilling the following needs such as 1) Need for power 2) Need for affiliation and 3) Need for achievement.
Another school of thought says, “entrepreneurship is a function of several factors i.e. individual socio-cultural environment and support system”.

Entrepreneurship is vibrant assertion of the facts that individual can be developed, then outlook can be changed and their ideas can be converted into action though on organized and systematic program for entrepreneurs. It was also felt that systematic training can be given a better output and attracting people for taking up business venture can change economic scenario.

Basic objective in developing entrepreneurship and multiplying them in the society has been to enable the society to generate productive human resource, mobilize and sustain the same in subsequent process of development. The spontaneity and continuity of the process would depend on the kind of people that can be prompted and groomed in the entrepreneurial career.

Sociologists, Psychologists and economists have all attempted to give a clear picture of the entrepreneur. Sociologists analyze the characteristic of entrepreneurs in terms of caste, family, social value and migration.

Psychologists on the other hand attempt to isolate entrepreneurs from general population on various personality trials such as need for achievement, creativity, propensity to take risk, independence leadership etc.

Economists lighted situational characteristics such as occupational backgrounds access to capital business and technological experience and
managerial skills with economic gains considered as characteristic of entrepreneur.

As entrepreneur by implication is one who ventures out, who prefers change as a means of growth and it the process is prepared to take a calculated risk while taking risks he is aware of the possibilities, success as well as the consequence of failure.

Entrepreneurship plays an important role in the economic growth and development of nation. It is a purposeful activity includes in initiation, promotion and distribution of wealth and service. An entrepreneur is a critical factor in economic development and an integral part of the socio-economic transformation. It is a risk taking activity and challenging tasks, needs utmost devotion, total commitment and greater sincerity with fullest involvement for his personal growth and personality. The entrepreneurial career is not a one-day job nor is it bed of roses. Prosperity and success never come easily. It takes time and needs hard work. Systematic planning and business acumen to be successful entrepreneur.

Therefore, before choosing this path one should be very careful in knowing about his own-self. This introspection process helps him in knowing about himself. Every person has his own potentiality and resource. How he looks in to this aspect. If the person cans understand or identify his inner traits then it helps him choosing the right path for which he should look into his beliefs, faith values etc. For an entrepreneur it is of great importance to know about him on the basis of above mentioned individual consideration. These considerations give him ample scope to face his own self by asking the question “Who I am?” If he can give meaning answer to this complex question with exemplary courage and utter
personal disregard to being exposed, then it helps him in getting a fair idea about himself. On the whole it helps him to making the right decision in choosing the right path for getting involved for deciding the future course of action. This is nothing but a self-identification process. After having being proper identified his strength, weakness and ability, he can make a decision of his choice, whether he will take up entrepreneurship as a career or not. If yes, then in which entrepreneurial area.

Choosing entrepreneurial career is like choosing a life partner. The person has to be there in the job forever and may have to continue in that chosen line for generations to generation and grows in this process if it is matching; if it mismatches it goes the other way round.

Considering this aspect, he should always be governed by three basic qualitative instincts to serve in the world of uncertainty. These are: (1) Will, (2) Zeal, and (3) Skill.

Entrepreneurship is not the proprietary quality of any caste or community. Many may possess the qualities, but are baffled with too many questions why, what and how to get about starting new venture.

THE NEED FOR CORPORATE ENTREPRENEURING

Many companies today are realizing the need for corporate entrepreneuring. Articles in popular business magazines (Business Week, Fortune, Success, U.S. News & World Report) are reporting the infusion of entrepreneurial thinking into large bureaucratic structures. In fact, in many of his books, Tom Peters has devoted entire sections to innovation in the
corporation.\textsuperscript{17} Quite obviously, business firms and consultants/authors are recognizing the need for in-house entrepreneurship.

This need has arisen in response to a number of pressing problems, including rapid growth in the number of new and sophisticated competitors, a sense of distrust in the traditional methods of corporate management, an exodus of some of the best and brightest people from corporations to become small-business entrepreneurs, international competition, downsizing of major corporations, and an overall desire to improve efficiency and productivity.\textsuperscript{18}

The first of these issues, the problem of competition, has always plagued businesses. However, today's high-tech economy is supporting a far greater number of competitors than ever before. In contrast to previous decades, changes, innovations, and improvements are now very common in the marketplace. Thus, corporations must either innovate or become obsolete. Another of these problems, losing the brightest people to entrepreneurship, is escalating as a result of two major developments. First, entrepreneurship is on the rise in terms of status, publicity, and economic development. This enhancement of entrepreneurship has made the choice more appealing to both young and seasoned employees. Second, in recent years venture capital has grown into a large industry capable of financing more new ventures than ever before. The healthy capital market enables new entrepreneurs to launch their projects. This development is

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encouraging people with innovative ideas to leave large corporations and strike out on their own. The modern corporation, then, is forced into seeking avenues for developing in-house entrepreneuring. To do otherwise is to wait for stagnation, loss of personnel, and decline. This new "corporate revolution" represents an appreciation for and a desire to develop entrepreneurs within the corporate structure.

**MICROFINANCE PLAY A VITAL ROLE IN ENTREPRENEURSHIP DEVELOPMENT**

Micro-finance interventions are well-recognized world over as an effective tool for poverty alleviation and improving socio-economic status of rural poor. In India too, micro-finance is making headway in its effort for reducing poverty and empowering rural women. Micro-finance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO’s has been largely supply-driven and a recent approach. Micro-finance institutions are, other than banks, are engaged in the provision of financial services to the poor. There are three types of lending technologies:

1. The document based and asset based conventional technology, being followed by all banks.
2. The group lending, which is of various shapes and forms with advantages drawbacks attached.
3. Individual based lending is one where the Micro-finance institutions have to be very careful in assessing the repayments capacity of the borrowers.
The above technologies are focused on micro-finance through SHG’s, however, credit accessibility to poor through SHG’s has enhanced tremendously and recovery is comparatively higher. Rural women play a significant role in the domestic and socio-economic life of the society and therefore, national development is not possible without developing this segment of the society. The review of studies related to credit accessibility to women simply demonstrates that the direct access to institutional credit to rural women is very limited and there is sex bias in extending the credit to them. However, women from the non-farm sector have better access to banks than the women working in the farm sector. Even, male members of women borrowers have greater influence on accessibility to credit utilization and its repayment.

The SHG’s became a regular component of the Indian financial system since 1996. The SHG’s are small, informal and homogenous groups. These groups have proved as cyclic agents of development in both the rural and urban areas. The SHG’s after being formed start collecting a fixed amount of thrift from each member regularly. After accumulating a reasonable amount of resource, the group starts lending to its members for petty consumption needs. If the bank is satisfied with the group in terms of:

(i) Genuineness of demand for credit;
(ii) Credit handling capacity of the members;
(iii) Repayment behaviour within the groups; and
(iv) The accounting system and maintenance of the records, it extends a term loan of smaller amount to the group.

Thus, financing through SHG’s effects quite a few benefits like; (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) meeting the demand and supply of credit structure and opening of new market for financing institutions; (iv)
reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery; (vi) heralding a new realization of subsidy less and corruption-less credit; and (vii) remarkable empowerment of poor women.

The strengths of SHG’s may be categorized in the following manner:

- Group’s members usually create common funds by contributing their small savings on a regular basis; groups manage pooled resources in a democratic way; considers loan requests; and loans are disbursed by purposes. The rates of interest vary from group to group and the purpose of loan, interest rates are higher than that of banks but lower than moneylenders.

- The average deposit and loan size of SHG account is larger than individual accounts under the priority sector, bank transaction cost of dealing with SHG’s is obviously lower than that of individual borrowers; the rate of growth of credit absorption of SHG’s is much higher than individual borrowers under the priority sector.

- Banks can reduce the operating costs of forming and financing of SHG’s, involving NGO’s or youths for forming and nurturing SHG’s.

- The innovative forms of financing is imperative to supplement credit strategies for meeting the needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the technical and administrative capabilities and financial resources of formal financial institutions and also to build material trust and confidence between bankers and the rural poor and to encourage banking in a segment of population that formal financial institutions usually find difficult to reach.
The entire process of internal savings and credit is backed by financial and management counseling, promotion of new avenues of employment and motivation for enhancement of earnings from the ongoing activities.

The groups develop their own management system and accountability for handling the resources generated. The interaction among the members is based on participatory mechanism in terms of decision-making.

Small savings of rural women can generate the required resources, which can wean the people away from the exploitation of moneylenders. Thus, the voluntary savings constitute the key for economic progress. Promotion of SHG’s can bring women into the mainstream of economic development.

Credit through SHG’s is being regarded more suitable by banks and NGO’s since creditability of SHG’s regarding utilization and recovery is praise worthy.

Credit accessibility through SHG’s is cost effective and group approach can ensure wider coverage of poor families through bank credit, even the members of the group learn interdisciplinary approach the banks for advances lead to direct interaction and guidance from the bank officials.

SHG’s can create a unique, alternative need based credit-delivery-mechanism by pooling their meager resources for catering to their consumption and production requirements.

IMPACT OF MICRO FINANCING

Microfinance interventions are well-recognized world over, as an effective tool for poverty alleviation and improving socio-economic conditions of the poor. In India too, micro-finance is making head way in
its efforts for reducing poverty and empowering women in particular. The impact of micro-finance programme through SHG’s has been effective in making positive social change to all members, irrespective of the direct borrowers of the micro-credit. Importantly, in the rural context, the SHG’s have facilitated the poor, especially the women to overcome the existing constraints grappling the formal credit institutions. These groups provide considerable social protection and income opportunities to the members. The SHG’s have acquired a prominent status in maximizing social and financial returns. The promotion of income generation activities for the poor rural women is perceived as a powerful medium to resolve several socio-economic problems such as reduction in poverty, provision of goods and services appropriate to local needs, redistribution of income and opportunities in the community etc.

**Socio-economic Conditions of Beneficiaries:**

Age, education, caste, religion, marital status, family income, housing conditions etc. are some of the important variables that affect women in their empowerment and development.

In order to facilitate the confidence building and improve the credit absorption capacity of the SHG, the capacity of its members has to be built up. The purpose of training and other capacity building efforts is to develop skills and encourage behavioral and altitudinal changes in the members. Group members would have to be trained with at the formal, as well as informal levels. It is the responsibility of the SHG’s, promoter, institutions and the facilitator to ensure that the trainings take place, as and when required. The purpose of training is to help women improve their performance, which might be achieved by helping them to solve
performance problems. A training need is said to exist when a gap between the required performances of an individual member or group and a desired level of competency is perceived. Training mode can then be described as a set of specific skills, knowledge, and attitudes, which are needed by individuals / groups in order to perform a particular job or task more efficiently. Training is best provided by experienced trainers or persons familiar with SHG’s.

The trainer has to motivate the members to learn and provide them with learning opportunities. The main task is to facilitate the development of the group’s capacity to organize and manage its activities. The trainer may also act as advisor or promoter to the group. The trainer may leave the decision making to the group members and promote altitudes of self-help and reliance. The trainers need to be good communicators and be familiar with basic technological skills needed for the development of a SHG.

They need to have a sound knowledge base of management, planning, accounting, lending etc., and other skills needed for the SHG. One of the objectives of SHG is to inculcate the democratic principles of functioning among the members. It is expected that all members would take part in the decisions and actions of the group. The training to SHG’s, members requires participatory methods and focused goals. Typical functional areas of training for SHG groups include.

- Operational rules development – for group leaders and members.
- Record keeping and accounting.
- Preparation of receipts and payments statement.
- Fund management.
- Default management.
 ➢ Organization and conduct of meetings.
 ➢ Peer review.
 ➢ Network management and development.
 ➢ Rights, entitlement, development programmes.
 ➢ Panchayat functioning and stabilization of governance.
 ➢ Confidence building.
 ➢ Leadership building.
 ➢ Communication skills and promoter of marketing intelligence.
 ➢ Conflict resolution.
 ➢ Creative problem solving.
 ➢ Team building.
 ➢ Functional literacy.
 ➢ Bank linkages.
 ➢ Health, hygiene and sanitation.
 ➢ Convergence with government schemes.
 ➢ Drudgery reduction.
 ➢ Micro-enterprises.
 ➢ Market linkage.
 ➢ Entrepreneurship, skill upgradation and management efficiency.
 ➢ Participating methods of learning, training and evaluation of programmes.
 ➢ Other related areas.

 Under the empowerment approach to micro-financing and particularly micro enterprises promotion, economic interventions are taken as part of a wider process. The need to facilitate the growth of non-farm economy in rural areas has been strongly felt.
This would be possible only when agricultural growth becomes more dynamic and vibrant. It would provide the inputs for processing both food and cash crops, demand inputs and services from the local economy and generate economic surpluses, which would convert into demand for all kinds of consumer goods and services. There is also need to establish support mechanism for women managed micro enterprises. There are essentially two major aspects to this (i) mobilization of investment funds and (ii) provision of business management and technical support services to SHG’s members. Significantly, marketing has been identified as one of the major weaknesses of micro enterprises. SHG’s and NGO’s have always given more priority and importance to production and less to marketing. Rural enterprises also suffer from low capitalization. Monitoring and evaluation are increasingly being recognized as indispensable tools of project management. Evaluation are progressively being replaced with impact assessment, which gives greater focus on the outcomes of the interventions, rather than inputs and outputs. The analysis simply demonstrates that SHG’s have created conducive environment for growth and development of micro enterprises, meeting out the credit and training needs to its members, convergence with government programmes and overall empowerment of its members in terms of improved socio-economic status, income and earnings, mobility and confidence building to sustain and manage business on their own.