

# ENTREPRENEURIAL DEVELOPMENT IN INDIA – AN ANALYSIS OF SOME KEY FACTORS

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**Abstract:** *The recognition of entrepreneurial role as a separate factor of production since the days of industrial revolution and the various theories of economic growth gives him an unrivalled status both in developed and developing countries. Economists, Sociologists, Political Scientists have all recognized the services of the entrepreneur to the society. Economists consider him as an essential element in generating investment opportunities. Sociologists consider him as a sensitive energizer in modernization of societies. The psychologists examine him as an entrepreneurial man. Providing proper environment that entrepreneurship demands involves the removal of these hurdles as well as bringing out modern and additional values and institutions for the incoming of entrepreneurs. Innovation and experimentation cannot thrive in a society ridden with traditional barriers such as distrust of new ideas. Entrepreneurship can progress with greater individual freedom. Hence, efforts have to be made to encourage organization, motivation and capabilities.*

**Key words:** *entrepreneur, entrepreneurship, entrepreneurial development, management, India*

## 1. Introduction: (Entrepreneurial development in India)

The factors that contribute to the growth of entrepreneurship are different in nature and they are not countable. According to Robert Owen, an environment economist, the environment to which a person is exposed has a strong influence in shaping his character. Therefore, there is a need for counting the factual aspects, social and cultural variables such as family background, rapport with leading personalities, industrialists, political affiliation, investment climate, individual capacities, personal skills etc., in order to identify the influencing factors of entrepreneurship. Different theorists belong to different schools of thought like Schumpeter, McClelland, Hoselitz, Stokes to the sociological and Papanek, Harris and Kirzner to the economic view points. Most of the opinions are oriented towards the psychological, sociological and economic viewpoints. There are also people who hold the view that supply of entrepreneurship is affected by a number of factors including social, psychological and economic factors. Therefore one can easily infer that entrepreneurship is affected by a multitude of factors and the supply of entrepreneurship can scarcely be ascribed to any single factor.

In a research study, the following question has been asked with the entrepreneurs. “What factors prompted you to promote this Company?” Various factors have been listed and the entrepreneurs were asked to tick against the relevant one or more than one factor. Majority of the entrepreneurs gave more than one factor. All the factors have been broadly grouped into Nine. *a. Educational Background , b. Occupational Experience, c. Desire to work independently in manufacturing line, d. Desire to branch out to*

*manufacturing, e. Family Background, f. Assistance from Governments, g. Assistance from financial institutions, h. Availability of technology and raw materials, i. Other factors.* There are some factors which are internal to the entrepreneurs like their will or desire to do something independently, educational, occupational and family backgrounds etc., which together make the personality of an individual. These personal factors generate an inclination to adopt entrepreneurial activity. The factors like Education and Technical qualifications, Family background, Occupational experience are termed as Socio – demographic variables.

According to **Joseph A. Schumpeter**, the ‘social climate’ is responsible for emergence of entrepreneurs. This social climate refers to the political, socio-psychological atmosphere within which the entrepreneurs must operate. An entrepreneur’s ability lies on his capacity to mobilise the capital for effecting his proposals. Sound financial families may provide the situational context for the growth of entrepreneurs. Higher income and level of living facilitates the growth and development of entrepreneurial ability. In most of the entrepreneurs, **“the desire to make money”, “desire to work independently”**, have encouraged the entrepreneurial abilities. When there is a will there is a way. Similarly, even at the lower economic levels, the entrepreneur had disposed of jewels, land and buildings and entered into business and industry. In India, the educational and technical qualifications and family background played a greater role in influencing entrepreneurship. There are certain communities like Chettiars, Baniyas, Marwaris in India, well known for their enterprising nature in the trade and business.

The Joint Hindu family system in India has promoted the entrepreneurship by providing environment developing skills and building strong traditions and customs. The environment of the family prepares its members for certain types of business, profession or occupation. Those born in rich business families ‘with silver spoons’ in their mouths have not only an advantage of having seed capital for carrying out business but also learn the basic business skills by continuous interaction and contacts with parents, customers, employees, friends, relatives etc., The economic variables like profit, prior income, property and level of living have contributed for the growth of entrepreneurship. The entrepreneur’s contact at higher social and governmental levels and availability of expert technical advice and guidance at all stages of development of industry have contributed for entrepreneurial success. Experts and official contacts, natural help, political affiliation, social participation have resulted in entrepreneurial success.

Finally, the personality factors like age, marital status, religion and community generally influence entrepreneurship. The ‘young age’ (25 to 35) is an encouraging factor to take up risk and do business, and whereas marital status, caste and religion to which a person is affiliated serve as a contributory factor for entrepreneurial growth. Thus, the environmental factors may be grouped as follows. *1. Multitude of factors influences the entrepreneurship. 2. By creating a socially conducive environment, the entrepreneurship can be influenced. 3. The factors like ‘desire to do work independently’, ‘desire to make money’ have influenced much the entrepreneurs of a sample study. 4. The external*

*factors like Government's liberal policy and assistance influence a person to take up industrial activity.*

The recognition of entrepreneurial role as a separate factor of production since the days of industrial revolution and the various theories of economic growth gives him an unrivalled status both in developed and developing countries. Economists, Sociologists, Political Scientists have all recognized the services of the entrepreneur to the society. Economists consider him as an essential element in generating investment opportunities. Sociologists consider him as a sensitive energizer in modernization of societies. The psychologists examine him as an entrepreneurial man. Thus, the entrepreneur contributes to the economic development by providing the following services. 1. *According to Schumpeter, the entrepreneur is a person who introduces new commodities in the market. He also introduces new methods in organization. He finds out new sources of raw materials for the production and novel methods of marketing.* 2. *By taking risk, the entrepreneur causes, industrial development in the country.* 3. *He causes for balanced industrial development all over the country.* 4. *He effects equitable distribution of Income and Wealth.* 5. *More importantly, the entrepreneurs provide vast employment opportunities to the society and thereby they solve the problems of unemployment and under – employment.* 6. *By increasing the production and employment, the entrepreneurs cause the per-capita income of the citizens to raise. The standard of living of the people increases.* 7. *The entrepreneurs produce a wide variety of consumer and industrial goods, which are very much useful to the society.* 8. *Sufficient amount of export earnings (foreign exchange) are flowing to the country.* 9. *Entrepreneur creates competition and provides the required commodities at cheaper rates.* 10. *By increased production the National Income of the country increases.*

Schumpeter has distinguished between an inventor and an innovator. An inventor discovers new methods and new materials and an innovator is one, who utilizes inventions and discoveries in order to make new combinations and thus produces newer and better goods, which results in profit and satisfaction. **W. Robert Maclaurin** divides the elements of technical advance into *a. development of pure science; b. invention; c. innovation; d. financing of innovation; and e. acceptance of the innovation.* In the less developed economies first three elements of technical advancement can be skipped and the emphasis should be on the adoption to business practice of discoveries already made.

In such countries, the role of Schumpeterian entrepreneur is somewhat limited. A large number of indigenous Schumpeterian entrepreneurs are trading entrepreneurs whose innovations are the opening of new markets. In the light of the possibilities of technical transfers from advanced economies, no undue emphasis should be put on the development of entirely new combinations. **Hoselitz** also remarks that in an underdeveloped economy, not to speak of Schumpeterian innovators, even imitator - entrepreneurs have a distinct role to play. Such entrepreneurs provide a fillip to the process of economic growth, sometimes having as strong as perhaps even stronger impact on economic growth as real as alleged innovations.

## 2. Entrepreneurial Characteristics:

Finding no clues to the meaning of the term 'entrepreneur', Kilby likened entrepreneur with 'Heffalump' – a large and very important animal which was hunted by many individuals, but no one succeeded in capturing him. All those persons who claim to have seen him describe differently about his particularities and thus no agreement exists in their description about the animal. Hence, a detailed note on the entrepreneur's functions in a developing economy was given by Kilby, which included some of the managerial functions also. These functions can be delegated to subordinates for efficient performance, which are as follows: 1. *Perception of market opportunities (novel or imitative)*, 2. *Gaining command over scarce resources*, 3. *Purchasing inputs*, 4. *Marketing of the products and responding to competition*, 5. *Dealing with the public bureaucracy (concessions, licenses, and taxes)*, 6. *Management of human relations within the firm*, 7. *Management of customer and supplier relations*, 8. *Financial Management*, 9. *Production management (control by written records, supervision, co-ordinating input flows with orders, maintenance)*, 10. *Acquiring and overseeing assembly of the factory*, 11. *Industrial engineering (minimizing inputs with a given production process)*, 12. *Upgrading process and product quality*, and 13. *Introduction of new production techniques and products*. Kilby has categorised the above roles into four sub-groups, viz., exchange relationship (1-4), political administration (5-7), management control (8-9), and technology (10-13). He has further analysed that in the strict sense entrepreneur will perform only first two functions listed above and for the other 11 functions, he will employ experts in the related lines.

Schumpeter's entrepreneurs occur randomly in any ethnically homogeneous population and they are primarily motivated by an atavistic will to power, will to find a private kingdom or will to conquer. Their main characteristics are: *i. An intuitional capacity to see things in a way which afterwards proves correct; ii. Energy of will and mind to overcome fixed habits of thought; and iii. The capacity to withstand social opposition*. McClelland's theory is based on the 'achievement motive' of the entrepreneurs. This achievement motive is inculcated through child rearing practices, which stress standards of excellence, maternal warmth, self-reliance training and low father dominance. McClelland derived his results from the characteristic of different individuals demonstrated during his experiments.

**Hagen** takes withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal is the perception on the part of the members of some social group that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem they value. Hagen put forward four types of events that can produce status withdrawal: *i. Displacement by force; ii. Denigration of valued symbols; iii. Inconsistency of status symbols with a changing distribution of economic power; and iv. Non – acceptance of expected status on migration to a new society*. Kunkel's behavioral model is concerned with the overtly expressed activities of individuals and their relations to the previously and presently surrounding social structures and physical conditions. Behavioral patterns in this model are determined by reinforcing and aversive stimuli present in the social context.

### 3. Entrepreneurial Institutions:

Entrepreneurship development depends upon the conducive environment created by the government. In developing countries like India, where the traditional occupation is agriculture, government has made enormous efforts to convert the agrarian economy into industrial economy. By suitable policies and programmes the government encourages the people to take up entrepreneurial activities. Finance, raw materials, power, industrial sheds, etc., are made available easily by the government, in order to make unemployed technical people to exploit the situation and start entrepreneurial activities. The state and central governments have jointly organized entrepreneurial development programmes (EDPs) to provide academic and practical knowledge to the participants. Financial institutions play an important role in countries like India, where there is always a want of capital for the development process. Though human capital is abundantly available in India, it is not fully utilized. Most of the human capital goes waste due to non-availability of finance. There are many financial institutions like IFCI, IDBI, ICICI, and SIDBI, functioning under the control of central government, covering the entire nation. There are other financial institutions such as SFCs functioning under the state government, covering the respective states. The commercial banks serve the society all over the country. The central organizations do not directly assist the entrepreneurs but they finance the SFCs, which in turn finance the entrepreneurs directly.

Almost all the commercial banks have an Entrepreneurial Cell providing all information and assistance to the new entrepreneurs. In some of the places like Chennai City, commercial banks have adopted the industrial estates by opening up branches in the estate itself. For instance, the SBI, Canara Bank, Indian Bank, etc., have opened their branches in the industrial estates of Guindy, Ambattur, Gummidipoondi and Maraimalainagar to facilitate the entrepreneurs to get the assistance without any delay. In short, they have been doing yeoman service to entrepreneurship development in the country. Generally, industrial production is comprised of (4Ms) *men, machines, materials, and money*. For any entrepreneur, next to finance, machines and materials are essential to start production.

The promotional institutions do provide the basic infrastructure facilities, raw materials, worksheds, machinery, etc., to the entrepreneurs. In Tamilnadu, the Small Industries Development Corporation (SIDCO) and National Small Industries Corporation (NSIC) are providing raw materials and machinery respectively to the entrepreneurs. Industrial Technical Consultancy Organization of Tamilnadu (ITCOT) provides project reports and basic knowledge to the entrepreneurs in addition to the training given through the entrepreneurial development programmes. Thus the promotional and financial institutions together provides a strong support system to the entrepreneurs in the country. National Institute of Small Industry Extension Training (nisiet) conducts training programmes for the entrepreneurs at national and international levels. **It is the apex institution in the country providing yeoman service in the training the entrepreneurs.** The nationwide training covers vital aspects like funds management, promotion of women entrepreneurship, quality management, marketing and inventory management. Today voluntary organizations are also conducting women

entrepreneurship development programmes in specific areas like marketing, management, adoption of new technology in the production process, which provide an overall knowledge to the new and established entrepreneurs. The commercial banks, the Small Industries Service Institute (SISI), Department of Industries and Commerce (DIC) either individually or jointly with the voluntary organisations and public sector undertakings also contribute towards this.

#### **4. Entrepreneurial Management:**

Entrepreneurial management suggested in the following lines can provide a proper environment for developing entrepreneurship and removing hurdles coming in the way. **Clarence Danhof** gives four classes of entrepreneurship. *1. Innovating entrepreneurship, 2. Imitative entrepreneurship marked by the tendency to adopt and try successful innovations. For a developing nation, these two classes of organizers are abundantly needed to transmit the techniques of the developed countries. 3. 'Fabian' entrepreneurship is an imitative type but characterized by great caution and skepticism. 4. Drone entrepreneurship is characterized by refusal to change even at the cost of severely reduced returns on investment.* It is pointed out that different types of hurdles such as unwillingness to devote entrepreneurial abilities for business activities, etc. obstruct entrepreneurship.

Providing proper environment that entrepreneurship demands involves the removal of these hurdles as well as bringing out modern and additional values and institutions for the incoming of entrepreneurs. Innovation and experimentation cannot thrive in a society ridden with traditional barriers such as distrust of new ideas. Entrepreneurship can progress with greater individual freedom. Hence, efforts have to be made to encourage organization, motivation and capabilities. A number of social scientists have contended that entrepreneurship is the key variable, which links the socio-cultural milieu with the rate of economic development.

1. An entrepreneur should formulate clear objectives and strategies of the business venture. They should be aware of their strengths and weaknesses with a quick analysis of different aspects and environment bearing on the venture. He can undertake a survey and conduct SWOT analysis.
2. Market scanning to ascertain the existing competition relating to the product together with demand and supply gap and also one's own share in the market factors are to be collected nearing to the reality.
3. The entrepreneur has to prepare the project facts in a systematic way taking into account the various factors connected with their ventures, viz.
4. To ensure the availability of the necessary infrastructure likes buildings, transport, communication, power, fuel and others;

5. To ensure the availability of the required quality and quantity of raw material for a longer period;
6. To ensure the availability of technical personnel to handle machinery;
7. To ensure the assessment of cost of the project on a realistic basis;
8. To ensure the estimation of sales and profitability keeping in view the initial constraints and setbacks; and
9. The entrepreneur can also seek consultant's services for preparation of the project report.
10. On the basis of demand for the product, expansion and diversification to be thought of at a later stage after consolidating the enterprise.
11. Help of banks and other financial institutions for working capital loan and term loan, adhering to the financial discipline prescribed by them by routing the entire sale proceeds through cash / credit statements.
12. After the sanction of credit limits withdrawal of funds to be considered, only to the required extent so as to save interest.
13. Not to indulge in extravagant expenditure and must keep personal drawings to the minimum level of sustenance.
14. He must manage the affairs of the unit on sound and profitable lines and gradually develop professionalism and expertise in various facets of management like financial management, material management, marketing management and human resource management.

## **5. Conclusion:**

Entrepreneurial development requires a socially conducive atmosphere where entrepreneurial habit and spirit can be cultivated right from the childhood. Therefore, to develop such an environment, integrated policy measures (economic, industrial, educational and technological) to be initiated with the objectives to remove various mismatches like social mismatches, educational training and technological mismatches, banking mismatches, etc., This calls for long –term planning under well designed and developed infrastructure and authority with a National Thrust. There is the necessity for certain changes in economic policy. Structure of economic incentives and assistance to the entrepreneurs and industries in rural and backward areas to be redesigned to promote local resources including human's resources. Since there is predominance of rural factors in Indian economy, our entrepreneurial development model must have a rural thrust. In order to generate a rural thrust of entrepreneurship development programme and to bring a structural change in rural and backward areas, development policy need to be modified.

For successful and effective industrial development in backward regions, regional resources must be fully utilised through development of resource linked industrial complex. Such a development is possible under a dynamic development model which takes into account the resources, socio-political institutions and regionally specialised entrepreneurs. We have to design indigenous EDP model suitable for Indian economic and socio-cultural climate which, would be easily absorbed in backward and rural society. Efforts should be directed to induce spontaneous participation and involvement of people particularly in rural areas. The spoonfeeding business is to be given up and entrepreneurship should be developed through natural process by creating an environment for entrepreneurial developing society.

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