

ON SOME ASPECTS OF ENTREPRENEURSHIP DEVELOPMENT

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ABSTRACT

This paper has overviewd some of the broad aspects of entrepreneurship development. For example, it summarises types and characteristics of entrepreneur, theories of entrepreneurship development, etc.. Entrepreneurship development can help to a great extent to the underdeveloped and developing countries for their rapid economic growth and development. In view of this, this paper shall be found beneficial to both the educated unemployed and to the technical and / or non-technical institutions for understanding the 'abc' of entrepreneurship development.

1.0. Introduction :

Both the underdeveloped and developing countries are starving hard for their rapid economic growth and development. Improved productivity in both the agricultural and industrial sectors can help these countries in achieving these goals. Although, productivity improvement is dependent upon several varied factors, factors of production, may be related either to agricultural or industrial sectors, play a vital role. Factors of production essentially include such factors as man, machine, material, method, money, market, management and matrix (services), i.e., 8 Ms. An able entrepreneur can instil life (and spirit) in these factors so as to help them achieve the end objectives, namely, survival and growth, set for an organisation. Thus, entrepreneurship development needs special attention by such countries.

Therefore, with the serious, determined and sustained efforts taking place in developing economies including India for rapid economic development, it is important to undertake a detailed and searching analysis of different aspects of entrepreneurial role in harnessing the physical and human resources to generate forces of economic development. The factors which determine the supply of entrepreneurship, the

rewards which assure entrepreneurs a sense of success, the conditioning external environment which nurtures, innovative zeal, the socio-cultural factors which stimulate and not stiff entrepreneurial drive, and the capacity to adopt and adapt the source of technology available elsewhere are all aspects which deserve close scrutiny in order to understand the present state of development and to predict the possible course of future development of a country.

Ministry of Human Resource Development, Department of Education, Government of India has declared a number of areas, like, (1) area of emerging technology, such as, Computer Aided Design and Computer Aided Manufacture, Robotics, etc., (2) critical area of technology where weakness exists as Ergonomics, Printing Technology, Electronics etc., and (3) lost of new/improved specialised field of technology, such as, Biological Engineering, Nuclear Engineering etc.. Entrepreneurship has been considered under the critical area of technology where weakness exists in the field of management science ⁽¹⁾.

Thus, the underdeveloped and developing countries strive for accelerated rate of economic development. The following subsection presents a few significant factors responsible for economic development.

1.1 Human Factor in Economic Development :

The study of the role of human resources in economic development will include aspects not only like educational levels and productive skill acquired by the labour force, but also the aspects like social response to economic opportunity and readiness to undergo economic changes on the part of labour force.

1.1.1 Proximate Causes of Economic development :

The level and rate of economic growth depends on :

1. Natural resources;
2. Physical capital accumulation;
3. Human resource development; and
4. Technological progress provided the socio-cultural environment is favourable to growth⁽²⁾.

In Rostow's view, the behavioural pattern of people relevant for economic

development can be summed up in six propensities as listed below ⁽³⁾:

1. The propensity to develop fundamental science;
2. To apply science to economic ends;
3. To accept the possibilities of innovation;
4. To seek material advance;
5. To consume; and
6. To have children.

Kuznets highlights the role of human resources as the major capital stock of an industrially advanced nation. It's not its physical equipment, but it is the body of knowledge amassed from the tested findings and discoveries of empirical science, and the capacity and training of its population to use this knowledge effectively⁽⁴⁾.

Jan Tinbergen suggests five human qualities which are conducive to economic development as ⁽⁵⁾ :

1. An interest in material well-being;
2. An interest in techniques and in innovation;
3. An ability to look ahead and a willingness to take risks;
4. Perseverance; and
5. An ability to collaborate with other people
and to observe certain rules.

For economic development an entrepreneur can play a key role. The next section presents the evolution of entrepreneurship concept.

2.0. Evolution of Entrepreneurship Concept ⁽⁶⁾ :

Adam Smith repeatedly talked about employer, the master, the market and the undertaker but he seldom made reference to the entrepreneurial function as the distinct one. Natural law pre-conceptions led Adam Smith to emphasise the role of labour to the exclusion of the productive function of designing the plan according to which the labour is being applied.

Similar is the case with Ricardo and Max for whom the process of production and commerce are automatic. The designing, directing,

leading and co-ordinating functions have practically no place at all their analytic schemata..

J.S.Mill who was influenced by Say at an early age emphasised the function of directing the productive process and expressed the view that the function required no ordinary skill.

Frank H. Knight emphasised the assumption of risk and uncertainty as the main function of entrepreneur⁽⁷⁾ .

Harvey Leibenstein ascribes two more functions to an entrepreneur : gap filling and input completing.

Willam J. Baumoul lamented the fact that economic theory has failed to provide a satisfactory analysis of either the role of the entrepreneurship or its supply. The traditional notion of entrepreneur, he maintains, merely draws our attention to the entrepreneur as an individual (or a group of individuals) who brings together the factor inputs and organises productive activity. The traditional mode of the behaviour of firm has reduced entrepreneur to a mere manager who oversees the on-going efficiency of continuing process⁽⁸⁾ .

2.1 Entrepreneur Defined. :

The Mercantilist writer Cantillon introduced the term entrepreneur. He defined entrepreneur as the agent who purchases means of production in order to combine them to produce a product to sell at prices that are uncertain at the moment at which he commits himself to his cost.

3.0 Classification of Entrepreneurship :

Entrepreneurship has been classified into four distinct types of Danhof on the basis of innovative zeal, propensity to introduce change and qualities of leadership displayed as follows ⁽⁹⁾:

1. *Innovating Entrepreneurship* :
It is aggressive in experimentation and always ready for putting attractive possibilities into practice.
2. *Imitative Entrepreneurship* :
It is distinguished by the preparedness to adopt successful in-

novations initiated by the innovating entrepreneurs.

3. *Fabian Entrepreneurship* :

It is characterised by great caution and skepticism, which introduces change only when the non-introduction leads to loss.

4. *Done Entrepreneurship* :

It is characterised by refusal to try new methods even at the risk of loss.

While the above is merely taxonomy of entrepreneurship, it does provide a framework to analyse the nature of entrepreneurial activities and decision making. The innovating and imitative categories from the active entrepreneurial resource, the latter two-fabian and done types - point to potential entrepreneurship which can be activated by designing and implementing a scheme of incentives. The problem in less developed countries is much more than increasing the supply of innovative or imitative entrepreneurship. The problem is one of transforming a vast hoard of fabian and done types of entrepreneurs in order to inculcate in them spirit of enterprise and capacity to adopt modern methods of production and capacity to adopt modern methods of production and organisation in their enterprises.

Today, the developing economies draw from existing store of technology and organisational methods in the industrialised economies. For example, in India while certain industrial centres have long experience of more than a century, there are many regions with little or no industrial tradition. It is meaningless to speak about developing innovative entrepreneurship in these regions. The immediate need is to supply the imitative type and to activate the fabian and done types of entrepreneurs. development of modern small scale industries help in augmenting the supply of these types of entrepreneurship in these regions. The entrepreneur in small industrial sector needs neither to be a Schumpeterian innovator nor to possess highly creative personality as suggested by some writers. It is adequate if he can benefit from the experiences of his fellow industrialists and can use his ingenuity and judgement to carefully study the economic environment and opportunity to take proper decisions.

4.0. Theories of Entrepreneurship :

The economic theory does not provide any special role to the entrepreneur. As a matter of fact, as economic theory has become more formalised, the tendency to discard entrepreneurship as a significant separate factor in the operation of the economy has increased. Thus, in modern growth theory, any contribution on entrepreneurship is typically contained in a catchall residual factor. This latter residual, variously termed technical change or co-efficient of ignorance includes among other things, technology, education, industrial organisation and entrepreneurship⁽¹⁰⁾.

The entrepreneurial factor is passive one emphasizing the role of invention, market opportunities and changes in product factor prices.

The developing economies need a large number of imitative and adaptive entrepreneurs, besides innovative entrepreneurs.

With the above background, now we present salient features of theories of entrepreneurship as propounded by Schumpeter, Weber, Hagen, Cochran, Young, Kunkel and McClelland⁽²⁰⁾.

Entrepreneurship : Sources of Supply and Motivation.

1	2	3	4
Young	Homogenous groups	Relative subgroups (ethnic communities, occupational groups or politically oriented functions.)	Deviant view of the world strengthened by groups solidarity
Kunkel	Socially acceptable	Operant conditioning procedures in a society	Reinforcing stimuli & average stimuli.
McClelland	Religious & social group	Individuals with high n-achievement	Child-rearing practices & climate.

Sources of Entrepreneurship :

There are several factors that govern the supply of entrepreneurship in a country. It is possible to identify them on the basis of the experience of industrialized economies of the West. A review of literature on the nature of entrepreneurship in the early stages of industrialisation of the developed economies will be helpful in formulating a series of hypothesis which can be tested in the context of developing economies.

Discussing the circumstances which favour the rise of entrepreneurs in Western industrial nations. Habakkuk has pointed to the key role played by the innovating entrepreneurs and business leaders. Besides this, imitative entrepreneurship which involves a considerable degree of initiative and vigour also contributes substantially to the process of industrialisation. Among these entrepreneurs he finds differences in respect to both motives that inspire them and their background and objectives. But, despite of these differences, most entrepreneurs have certain common characteristics as given below :(15)

1. A flair for identifying and seizing opportunities for profit;
2. An eye for the possibility of new products;
3. Unexploited raw material supplies;
4. Untrapped markets;
5. Willingness to take considerable risk;
6. Vision, drive and initiative; and
7. The ability to devote their whole energies completely to attain their ends

An exhaustive list of abilities/qualities expected of a chief executive has been reported.(16). Broadly, this includes such qualities (Characteristics) as related to :

1. Leadership style;
2. Administration ability;
3. Technical knowledge;
4. Personality/personal skills and
5. Relation with unions/workers.

Most of the entrepreneurs who owned and managed their enterprises in early stages expanded their enterprises through ploughing back of profits. In the later stages of industrial development technological as well as organisational changes favoured the growth of corporate enterprises.

Both socio-religious features of the countries and high degree of social mobility go a long way in expanding a large number of entrepreneurs developing themselves to the task of economic development. The wider the circle from which a country draws its businessmen, the more likely it is to produce great entrepreneurs.

In a society which considers business as an inferior occupation, there is very little chance for entrepreneurs to come up in a large number. Where social status is determined by factors other than achievement of success, there the scope for entrepreneurial growth is highly circumscribed. But where social standing depends on success in one's occupation a man has a very strong incentive to devote all his energies to his occupation, particularly of success is measured by income.

In underdeveloped countries economic environment as well as social barriers seem to stand in the way of entrepreneurial growth. Socio-psychological as well as economic factors influence the supply, performance and growth of entrepreneurship.

Elite Groups as Sources of Entrepreneurial Supply :

Following five types of elites customers and variously take the leadership of the industrial process (17) :

1. Dynastic elite.
2. The middle class
3. The revolutionary intellectuals
4. The colonial administrators and
5. The nationalist leaders.

These elites play the role of prime movers by initiating and sustaining economic and social change through a process of industrialisation. In respect of the Indian entrepreneurship, the two types of most relevant elites are the middle class and the nationalist leaders. In the post independence period the nationalist leadership has been striving hard to accelerate the growth process both through government participation and through reliance on private entrepreneurship by providing necessary infrastructural facilities, and various incentives to encourage growth of entrepreneurship.

Entrepreneurship Promotion Facilities :

Preparation of a feasibility report can be considered as a pre-requisite before commencing a project. This report includes such information as market survey, labour force requirement, machinery required and their costs, availability, etc. raw material availability, working capital etc. etc., Several organisations like commercial banks, DICs, MIDC etc., extend their services for preparing a feasibility report. State and Central Government have instituted several entrepreneurial promotion facilities. The major entrepreneurship promotion facilities are summerized below :

Types of Small Scale Industries :

The industries having investment in fixed assets in plant and machinery not exceeding Rs.10 lakhs are termed as small scale industries. Small Scale industries are broadly divided into two main types which are as follows :

1. Traditional Cottage Industries :

They use traditional methods to make traditional products. These are almost entirely household enterprises and derive their raw material from local sources, and sell most of their products in local markets.

2. Modern Small Firms :

These employ modern techniques to produce modern products. They use raw materials which often come from long distances and sell their products very widely, not merely in the nearest towns, but over one or more states.

Facilities to SSI ⁽¹⁸⁾ :

Industrial agencies grant financial assistance to small scale industrial units for :

1. Participation in equity capital;
2. Term loans for acquisition of fixed assets; and
3. Working Capital

Participation in Equity Capital :

Equity Capital is the own investment of the proprietor, partners or promoters of an enterprise. Participation in equity share capital is available to the companies from State Industrial Development Corporations and State Financial Corporations either solely or jointly with other agencies.

Term Loans for Acquisition of Fixed Assets :

Fixed assets are those assets, which are used in an enterprise for productive purposes and are not intended for sale. These take the form of land and buildings constructed thereon, installation of machinery and equipments and such other tools which aid the process of production.

Land is made available by the State Governments directly or through Industrial Development Corporations;

Acquisition of fixed assets is financed by various credit institutions which are as follows :

1. State Financial Banks :
2. Commercial Banks
3. Industrial Development Bank of India (IDBI)
4. National Small Industries Corporation (NSIC) and State Small Industries Corporations (SSICs)
5. State Directors of Industries.

Working Capital :

Facilities for working capital requirements are available mainly from Commercial Banks and to a limited extent from State Financial Corporations and State Government through Directors of Industries. Commercial Banks grant advances in three forms as :

1. Cash Credit
2. Bill Purchased and Discounted
3. Overdrafts.

Cash Credit : It is the most popular mode of borrowing in the country, as the borrower can draw funds as and when needed and can deposit the surplus amount in his account and can make as many transactions as he likes, provided drawing power is available in the account.

Bills Purchased and Discounted : Documentary demand bills which are payable on sight by drawee (buyer of goods) are purchased by banks, whenever these are accompanied by documents, such as invoice and railway receipts or motor transport/lorry receipt issued by the operators approved by Indian bank's Association. While purchasing these bills, banks sometimes retain a margin of 10%, though generally full amount of bill can be paid. The banks charge commission on purchase of bills. If the bills are not returned by the drawee within a reasonable time, the same are returned to the drawer (seller of goods) after recovering the amount advanced and other charges including interest.

Sometimes, sale of goods is covered by bills, known as *usance bills* maturing on 30, 60, 90 days after the date of sight. These bills are discounted by the banks on presentation after recovering interest for the unexpired duration of the bills. In some cases, bills are discounted only after these have been accepted by the drawees.

Overdrafts : The banks sometimes allow clean overdrafts to the units, well known to the bank for a short period (upto five weeks) and are made to tide temporary difficulty. This contingent overdraft is meant to cover transitional difficulties arising from transport bottle-necks, non-receipt of payments etc.

Facilities to Technocrats and Educated Unemployed :

Persons holding degree or diploma from technical institutions college and universities, preferably with some experience are termed as technocrats or qualified entrepreneurs.

Commercial Banks normally provide assistance to Small Scale Industries for acquisition of fixed assets and working capital at reduced margin or without margin, if they are unable to contribute any amount from their own resources. State Financial Corporations normally provide medium term loans for acquisition of fixed assets.

SSICs have evolved schemes for providing machinery on hire purchase basis to educate unemployed persons, which covers technocrats also. According to these schemes machinery can be made available to the borrowers on the hire purchase basis with an earnest money of 10% having interest varying from 9 to 12% per annum.

NSICs also provide machinery on hire purchase basis to technocrats at a margin of 10% having effective interest rate 11.5% per annum.

Entrepreneurship Survey : Tools and Techniques :

The tools and techniques used in entrepreneurship survey are summarised in the following subsections. :

Design of Sample Survey :

In the design of sample survey firstly a region is selected experiencing rapid commercial and economic growth. Then, a list of industrial enterprises in that region should be prepared. The Universe of industrial units is stratified into categories according to employment for the sampling process. Fixing the size of sample at 60, the samples are drawn randomly from each stratum. The number of units drawn from each stratum is proportioned to the size of that stratum. The Table 2 gives size of the Universe and sample as per the sample survey of small scale industrial units of Vijaywada-Guntur region in Andhra Pradesh done in the year of 1970-71.

Table 2 : Universe and the Sample :

No.of persons employed	Population No.of Units	%	Sample	No. of res- ponding units	Effective Sample Fractions %
Less than 5	367	33.2	20	16	4.4
5 or more than 5	733	66.3	40	35	4.8
Not available	6	--	--	---	---
Total	1106	---	60	51	ava. 4.6

Collecting Data through Survey Schedule :

A schedule is used to collect information from the sample entrepreneurs. The schedule was designed to collect comprehensive information about the socio-economic background of the entrepreneurs and working of their units. A brief description of each block in the schedule is given below :

In block-I of the schedule items are included to get identification particulars of the selected industrial enterprises. As some of the enterprises are partnership firms, the question of identifying major entrepreneur in each one of them arises and by including a specific question about the matter we could get the name of an individual in the enterprise who can answer to our description of entrepreneur.

In Block-II attempt is made to collect all particulars of owners of the units besides the entrepreneur, including socio-economic characteristics such as : social community, regional origin, economic background of the entrepreneur and his parents, educational qualifications previous experience and years of residence in the town.

Block-III is meant for eliciting information about the background of the units in order to discuss the factors and/or persons who prompted initial decision to start the unit and individuals or institutions who played a significant part in the early years of the enterprise. Details about the amount and sources of initial investment are also asked for this block.

Block-IV is intended to obtain information about other business, professional and industrial interests of the entrepreneurs.

Block-V throws light on the growth of unit in various respects.

Block-VI and VII deal with the information about problems faced by the unit and the ways in which entrepreneurs overcome them, and about the future plans of the entrepreneurs.

From the point of view of proposed statistical analysis Block-VIII is extremely important. In this Block statistics pertaining to employment and other inputs, outputs etc. are collected for a period of 10 years.

Definition and Measurement of Socio-cultural and Economic Variables :

The analysis of data about entrepreneurs in this regard will shed light on the sources and supply of entrepreneurship and its performance.

Caste Social Community :

In respect of this variable we have adopted the traditional four-fold classification of Hindu castes with the difference that Shudra category is broken down into some prominent constituent Jatis such as Kamma, Reddy and Naidu. Other community groups are mentioned as reported by informants.

Education :

The entrepreneurs are classified into five categories on the basis of their education as : no formal education, primary education, secondary education, college and professional education and post-graduate or university education.

Economic Status :

The economic status is considered high, middle and low according to whether annual income is above Rs.12,000 between Rs.6,000 and Rs.12,000 and below Rs.6,000 respectively.

Age of the Entrepreneur :

The age data refers to the age of entrepreneurs at the time of investigation

but does not refer to age of entrepreneur at the time of establishment of the respective unit.

Age of the Unit :

It is arrived at by calculating the time elapsed between the year of establishment of the unit and the reference year of the study.

Training and Previous Experience :

Training refers to the period spent by an individual entrepreneur in addition to the formal education to acquire particular skill. Previous experience refers to any remunerative activity in which the entrepreneur was engaged prior to the establishment of the unit.

Indicators of the Entrepreneurial Performance :

Entrepreneurial performance is indicated by the variables which are as follows :

Levels and Ratios of Variables :

1. Value added by manufacture.
2. Level of gross profit.
3. Profit as percentage of value of capital stock and
4. Productivity ratios as efficiency indicators.

Capital productivity (Value added per rupee of fixed capital), labour productivity (value added per worker) and raw material productivity (Value added per rupee worth of raw material) are also used as efficiency indicators which refer to the efficiency with which each individual is used in the production process.

Rate of Growth of variables :

1. Output;
2. Value added
3. Profit and
4. Labour & Raw material productivity.

Scope for the Future Work :

The developing countries like India need to review the application of entrepreneurship development theories. The theories may need some modifications under the Indian context. The survey of entrepreneurship

in various regions can help in this respect. Hence it is beneficial to carry out certain surveys based on random sampling in certain regions.

Conclusion :

This paper has presented the vital role to be played by the entrepreneurs for the economic growth and development of the underdeveloped and developing countries. It has presented types, qualities and characteristics of entrepreneurs. A few important theories of entrepreneurship development have been summarized. The facilities available for promoting entrepreneurship have been highlighted has been proposed to undertake survey for entrepreneurship development in different regions in India. To facilitate this, some considerations have been briefly overviewed. It is believed that the paper shall find a useful hint to both the educated unemployed and technical / non-technical institutions.

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