

Backdrop of entrepreneurial development in India

Dr Tanweer Akhtar

Associate Professor, Department of Commerce, Halim Muslim PG College, Kanpur, Uttar Pradesh, India

Abstract

Entrepreneurial development is universal. However, it may vary from culture to culture in the different region of the world. The social cultural and political system of course influences the entrepreneurial development of country. It also influences the academic debate. Adaption of the modern concept to suit the sociocultural circumstance is practical but it may become a hurdle in actualization of the objectives of the entrepreneurial development. This paper deals with the concept of the entrepreneurial development in the country during the third quarter of the twentieth century.

Keywords: backdrop, entrepreneurial, development

Introduction

Enterprise is probably as old as human history. The spirit of enterprise makes man an entrepreneur. In fact entrepreneurs are persons who initiate, organise, manage and control the affairs of a business unit by combining the factors of production for supplying goods and services. It may pertain to agriculture, industry, trade or other profession (Murthy 1989) ^[1]. As such the development and under development is the reflection of the development and under-development of entrepreneurship in the society. For healthy development in agriculture, industry trade and any other sphere of an economy, there must be men and women who possess initiative, derive, ambition far-sight and imagination to break through traditional barrier, overcome social inertia and transform theory into practice. Individual performing these functions are the entrepreneurs and their performing these functions are the entrepreneurs and their enterprising ability and talent can be called entrepreneurship.

Concept of Entrepreneur and Entrepreneurship

The word entrepreneur has a Interesting history and it appeared first in French long before the emergence of any general concept of entrepreneurial function. The early sixteenth century men engaged in leading military expedition were referred to as entrepreneur to the simple can be explained as that the terms entrepreneur was used for army leaders. In the 17th century it was extended to cover Civil Engineering Activities such as construction at road, bridge and about and fortification contractors. The same term was later applied to architects' (Gautam 1979) ^[9].

Oxford English Dictionary (1897) defined entrepreneur as the director or manager of a public musical institution, are who, gets up entertainments, especially musical performance. Not until its supplement appeared in 1933 did the dictionary recognise that the word had a place in business and would mean "one who undertakes an enterprise especially a contractor acting as intermediary between capital and labor". The Concise Oxford Dictionary defines entrepreneurship as "readiness, initiative and daring for an undertaking.

Richard Cantillon, a French Banker was probably the first to deal with an entrepreneur in the mid of eighteen century. Cantillon defined the entrepreneur as one who buys factor

services at certain prices, with a view to selling their product at an uncertain price in the future, and as such becomes a bearer of an uninsurable risk (Cantillon 1951). Entrepreneurs carry on the production and exchange of goods at risk facing the possibility of bankruptcy, when the demand for their product is depressed. Frank knight defined entrepreneurship on similar way. He propounded the theory that the entrepreneurs are specialised group of people who bear risks and deal with uncertainty. According to his "entrepreneur is the economic functionary, who undertakes such responsibility as by its very nature cannot be Insure, nor capitalised has salaries, he also guarantees specified sums to others in return for assignments made to them. But to Adam Smith, the father of Political Economy, the entrepreneurs was a proprietary capitalist, a supplier of capital and at the some time working as a manager Intervening between the labour and the consumers. Adam Smith also treated him as employer master, merchant, and undertaker but explicitly identified his with capitalist, probably in view of the english economic background (Rao 1986) ^[8]. J.B. Say identified entrepreneur as an organs and speculator of enterprise. According to him "the entrepreneur is an economic agent who organizes units means of production..... the labour force of the une, the capital or the land of the other and who finds in the value of products, which result from their employment, reconstitutions of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself. He stressed the function of capitalist is to finance the enterprise where as entrepreneur is an organiser and speculator of business enterprises (Say 1815) ^[5].

Walras defined entrepreneur as an agent who buys raw serials from other entrepreneurs, hires land from land owners, personal aptitudes from workmen, capital goods from capitalist and sells the products that result from this co-operation or combination of there services his amount. Walras's view reveals that entrepreneur is an organiser who performs productive process by combining the various factors of production, but he ignored the risk bearing character of entrepreneurship without which it is not possible to make any significant break through in the course of time.

Joseph A. Schumpeter probably is the major contributor to the literature on the conceptualization on the entrepreneur. For the first time he identified human agent at the centre of process of economic development. He considered entrepreneur as an Innovator, who carries out new combinations to initiate and accelerate the process of economic development. Innovations according to his occur in the following five forms. 1. The introduction of new goods that is, one with which consumers are not yet familiar or of a new quality of goods. 2. The Introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concern. 3. The finding of a new market, a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before (Joseph 1959).

Entrepreneurs in underdeveloped countries are faced different types of problems as compared to developed countries like imperfect market and lack of skilled labour and capital. It should be considered by modern scholar in their definitions of entrepreneur and entrepreneurship. The entrepreneurs of developing countries have to perform multiple functions to run enterprise successfully. Tandon has defined entrepreneur as "an especially talented and motivated person who undertakes the risk of a business by arranging and combining the factors to establish it and who sees and visualises opportunities for introducing and accepting the new ideas with regard to production technique, nature of products, form of organisation, acquisition of new managerial personnel, changes in administrative organisation, new source of plan for expansion of the enterprise. He need not be a person who employs his own capital; he need not be a scientist who machines. But he is a person who knows the art of changing the production function for using the economic potential of various factors of production (Tandon 1975) ^[4].

In a nut shell, entrepreneurship involves a whole range of aptitudes and capabilities of an enterprising person like the capacity to hear risks to forecast prospects at an enterprise, to organise various factors of production to manage various affairs of business, to innovate or to initiate new things confidence and competence to meet unforeseen and adverse situation etc (Gupta 1987). Entrepreneurs are persons who initiate organise and control the affairs of business unit that combine factors of production to supply goods and services whether the business pertains to industry trade as profession (Enens 1949).

From the above analysis of the concept of entrepreneur and entrepreneurship it is obvious that the writers have given different views regarding functions of an entrepreneur. Economists like J.B. Say, Knight and other stressed risk bearing as the specific functions of an entrepreneur. According to Marshall the main functions of an entrepreneur were to manage and organise. Schumpeter recognised innovation of enterprise as the important functions of an entrepreneur. While modern economists have observed that an entrepreneur has to perform multiple functions for successful operation of an enterprise.

Arthur H. Cule described an entrepreneur as a decision maker and described the following functions of an entrepreneur

1. The determination of those objectives of the enterprise and the change of those objectives as conditions required or made advantageous,

2. The development of an organisation including efficient relations with subordinates.
3. The securing of adequate financial resource, the relations with existing and potential investors.
4. The requisition of efficient technological equipment and the revision of it as new machinery appeared.
4. The development of a market products and the devising of new products to meet an anticipate consumers demand.
5. The maintenance of good relations with public authorities and with society at large (Tandon 1975) ^[4]. Modern writers have emphasised all the three functions Innovation risk-taking and organisation. In the initial stage of the establishment of an enterprise are may have to bear risk manage, Innovate, organise and take decisions all by oneself. He manages the day to day activities of the enterprise. He takes business decisions and works of a manager too. But as enterprise grows, entrepreneur deal with more number of workers, more complex and technical problems and more complex relationship with suppliers, customers, and government. Entrepreneurial functions are divided into number of persons specialised in their respective fields. Accepting these definitions as new concepts of entrepreneur and entrepreneurship, we now shift to make an analysis of the entrepreneurial development in India.

India and other developing countries are abundantly rich in natural resources but economically poor owing to lack of entrepreneurial skill and calibre. India has shortage of adequate funds, technical equipments and managerial knowledge. The skills of Indian entrepreneurs particularly handicrafts industries like textiles, enjoyed worldwide reputation in ancient times, as attested by the use of Indian muslim in wrapping Egyption mummies. During the seventeenth century, there were a number of entrepreneurs in major trading areas in the Indus River Valley of the North Western India (much of which is presently a part of Pakistan in the North Eastern India around the Gangages river and its tributaries, and in Southern India's coastal areas who were engaged in foreign trade. In the Eighteen century. Indian merchants, brokers and company servants of east India company dealt with European companies. During seventeenth and Eighteenth Centuries, Indians were involved as financiers in changing money, providing bills of exchange, loaning to Government and loaning to private parties including Europeans (Gadgi 1959) ^[2]

Upto 1850 the major economic and commercial development in India centered round the growth of British private enterprise in banking, Insurance Indigo plantations, steamships, cotton pressed, tea plantations and coal mines and activities associated with growing external trade with Britain. Even after 1850 upto the First World War British capital in all such Industries Increased along with British entrepreneurs. Indian serchants mainly Parsts began to play an important part in the growth of Cotton textile industry In Bombay and later in Kanpur and Ahmedabad. They made Investments in textiles industry in which Indian Traders cum entrepreneurs could rely on domestic market. The necessity technology could be easily imported and there was limited requirement of skilled labour in which country was deficient. The unskilled labour was in demand and its supply was also easy. All these reason made it possible for

the Indian enterprises to come up and spread in the textile industry (Tandon 1975) ^[4].

In the process of investment the most important development was the Jamshed Jee Tata. The parst entrepreneur established the first steel industries at Jamshedpur in 1911. After the attainment of success in the establishment of a steel mill by an Indian followed a wake of enterprises by Indian entrepreneurs in various other fields and as Industrialisation proceeded, though at its slow pace, British and indigenou enterprises to Intepenrate sany common fields and Industries. Indian enterprises entered into coal mining, tea and jute Industries and similarly British entrepreneurs took Interest In Cotton textile Industry. The growth in Industries come essentially from three communities the Parsis the Gujraties and the Marwaris.

The predominance of these trading Communities, sight have lead to the growth of corporate sector in and around Bombay, Calcutta and Ahmadabad. By 1919, there were 111114 companies not all of these Industrial concerns which were mostly functioning in an around these cities with a capital Investment of Rs.290 croes. In 1945, the numbers of companies had gone up to 14859 and the capital Investment had risen to Rs.389 crores. The development that took place did bring about either a degree of regional balance or sajur structural changes in the Indian economy. The entrepreneurs who contributed to this development were mostly drawn from known business houses and families such as Birla Tata, Dalmia-Jain, Bangur and Thapar (Murthy 1989) ^[1].

After Independence there came a revolutionary change in economic frame work of the country. The new Government took step for accelerating industrial development. The Five year plans provided the necessary framework, by which the objectives of balanced regional development and accelerating the rate of economic development have been achieved to some what. Other policies of the government such as the policy of import substitution, the industrial policy and such other forces have also contributed to the growth of entrepreneurship during plans period.

The achievements in the industrial field during the plann period have been significant in many respects. The growth rate of Industrialisation was rapid from 1950-51, to sid 60s, followed by a lower growth rate in the subsequent years. The annual rate of industrial growth has been six percent during the period 1951-85. This rate was 7.3, 6.6, 9.0, 4.7, 5.9 and 6.0 percent from the first to six plans respectively. The growth rate of industrialisation during seventh plan (1985-90) was 8.5 percent.

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