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 make 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.[15]



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.

### 1.3.1. 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

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[15] Chernovskaya, Valentina, *Indian Entrepreneurship*, Delhi, Shipra Publication, 2005, p. 1-49.

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.

### 1.3.2. 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, washermen, cobblers, 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."[16] 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.



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

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[16]Quoted by Iawaharlal Nehru, *Discovery of India*, (1947). p. 302.

(i) About $3/4^{th}$ of India's imports came from the British Empire while the remaining $14^{th}$ was of a kind which British Empire either did not produce or was not in a favourable position to supply.

(ii) In the decision of fiscal policy concerning India, powerful sections of the British people always exerted their influence and there was the danger that India might be forced to shape her policy not in accordance with her own needs but in accordance with the needs of other members of the Empire.

(iii) That the Government would lose a large portion of the revenue it received from British and colonial imports and it would be left with no alternative but to make up the deficit by enhanced duties on foreign goods.

(iv) If the matter was thought from the economic point of view, Lord Curzon's government thought, India had something but not perhaps very much to offer to the Empire. She had very little to gain but a great deal to lose.

All these arguments produced no effect on the British. The matter was referred to the Indian Fiscal Commission (1923) and the majority of the Commission expressed themselves in favour of Imperial Preference. Obviously, the British were more concerned about retaining their hold on the Indian market. Though they were great advocates of free trade in theory, in practice they used every device to protect their interests against the entry of other nations, especially Japan, into the Indian market. This would break their monopoly of exploitation which as rulers they were totally unwilling to compromise. The main purpose of protection was not to help Indian business to undertake investments in India, but to help the British capital find safe and secure avenues of investment. Writing in 1912, Alfred Chetterton in his work "Industrial Evolution of India" in a very forthright comment explained: "Protection would attract capital from abroad, and with the capitalist would come the technical expert and the trained organiser of modem industrial undertakings. Success would un-doubtedly attend their efforts, and India would contribute labour and raw materials. The educated Indian would play but a small part; and he would in the course of time realise that the protective duties mainly served to enable Europeans to exploit the country India does not want a protective tariff to enable an artificial industrial system to be created, the masters of which will be able to take toll of the earnings of the country, and establish a drain on its resources which will in the long run retard progress". Prophetic though it may appear, later developments showed that the policy

A beginning has been made towards solving the problem of delayed payments to small industries by setting up of 'factoring' services through Small Industries Development Bank of India (SIDBI). Network of such services would be set up throughout the country and operated through commercial banks. Factoring services imply that SIDBI or any commercial bank will buy the manufacturer's invoices from SSI units and take the responsibility for collecting payments due to them by charging a commission.

**III) Infrastructural Facilities**

A Technology Development Cell (TDC) would be set up in the Small Industries Development Organisation (SIDO) which would provide technology inputs to improve productivity and competitiveness of the products of the small -scale sector. The TDC would coordinate the activities of the Tool Rooms, Process cum - Product Development Centres (PPDs), existing as well as to be established under SIDO, and would also interact with the other industrial research and development organisations to achieve its objectives.



Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small-scale sector, particularly the tiny sub-sector

**IV) Marketing and Exports**

National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between NSIC and SSIDCs would be established.

Though the Small Scale Sector is making significant contribution to total exports, both direct and indirect, a large potential remains untapped. The SIDO has been recognized as the nodal agency to support the small-scale industries in export promotion.

**V) Modernisation, Technological and Quality Upgradation**

Industry Associations would be encouraged and ported to establish quality counselling and commenting facilities. Technology and markets would be established.

be in the interest of the country form the point of view of production, employment and defense. Resources should, therefore be applied more towards the development of industry rather than to agriculture.

2. Indian agriculture was already suffering form heavy population pressure on land and productivity of labour on land was quite low—it was even thought that marginal productivity of labour on land might be zero and even be negative. One method of reducing this pressure of population on land and to raise agricultural productivity was to reduce the percentage of people living on land, and to shift the surplus population to industries. The setting up and expansion of the industrial sector was thus a necessary condition for raising the national product in general and for agricultural development in particular.

3. Rapid industrialisation was an essential condition for the development of not only agriculture but also for all other sectors in the country. For instance, with the expansion of industries and the shifting of labour from rural to urban areas, the demand for foodgrains and agricultural raw materials (such as cotton, jute, oil seeds, etc.) would increase. At the same time, increased production and supply of fertilisers, pesticides, agricultural machinery, etc. would help in the expansion of agricultural production. With rapid industrialisation, and with rapid expansion of markets, there would be expansion in trade and commerce, transportation, in banking and finance, etc.



4. Productivity of labour is much higher in manufacturing than in agriculture. The growth rates are much higher in industry than in agriculture. Rapid increase in national and per capita income would be possible only through rapid industrialisation.

5. The income elasticity of demand for industrial goods was much higher and export opportunities for manufactured goods were also high.

It was for all these reasons that industrialisation was emphasized by the Indian planners. Though the first two plans talked about balanced economic growth really speaking, the emphasis was on rapid industrialization

## 1.7 Approaches to Entrepreneurship

To understand the nature of entrepreneurship, it is important to consider some of the theory development so as to better recognize the emerging importance of entrepreneurship. The research on entrepreneurship has grown dramatically over the years. As the field has developed, research methodology has progressed from empirical surveys of entrepreneurs to more contextual and process-oriented research. As yet, no comprehensive theory base has emerged, however.

A theory of entrepreneurship is defined as a verifiable and logically coherent formulation of relationships, or underlying principles that either explain entrepreneurship, predict entrepreneurial activity (for example, by characterizing conditions that are likely to lead to new profit opportunities to the formation of new enterprises), or provide normative guidance (that is, prescribe the right action in particular circumstances).[26] As we are now in the new millennium, it has become increasingly apparent that we need to have some cohesive theories or classifications to better understand this emerging field.

In the study of contemporary entrepreneurship, one concept recurs: Entrepreneurship is interdisciplinary. As such it contains various approaches that can increase one's understanding of the field.[27] Thus we need to recognize the diversity of theories as an emergence of entrepreneurial understanding.

**PROCESS APPROACHES**

Another way to examine the activities involved in entrepreneurship is through a process approach. Although numerous methods and models attempt to structure the

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[26] Raphael Amit, Lawrence Glosten, and Eitan Mueller, "Challenges to Theory Development in Entrepreneurial Research," *Journal of Management Studies* (September 1993): 815-834; Ivan Bull and Howard Thomas, "A Perspective on Theory Building in Entrepreneurship," *Journal of Business Venturing* (May 1993): 181-182; Ivan Bull and Gary E. Willard, "Towards a Theory of Entrepreneurship," *Journal of Business Venturing* (May 1993): 183-195; Ian C. MacMillan and Jerome A. Katz, "Idiosyncratic Milieus of Entrepreneurship Research: The Need for Comprehensive Theories," *Journal of Business Venturing* (January 1992): 1-8; and Scott Shane and S. Venkataraman, "The Promise of Entrepreneurship as a Field of Research," *Academy of Management Review* (January 2000): 217-226.

[27] William B. Gartner, "What Are We Talking about When We Talk about Entrepreneurship?" *Journal of Business Venturing* (January 1990): 15-28; see also Lanny Herron, Harry J. Sapienza, and Deborah Smith Cook, "Entrepreneurship Theory from an Interdisciplinary Perspective," *Entrepreneurship Theory and Practice* (spring 1992): 5-12;'and Ivan Bull and Gary E. Willard, "Towards a Theory of Entrepreneurship," *Journal of Business Venturing* (May 1993): 183-195.

entrepreneurial process and its various factors, we shall examine three of the more traditional process approaches here.[28] First, we will discuss the "integrative" approach, as described by Michael H. Morris, P. Lewis, and Donald L. Sexton.[29] Their model incorporates theoretical and practical concepts as they affect entrepreneurship activity. The second approach is an assessment process based on an entrepreneurial perspective developed by Robert C. Ronstadt. The third process approach, developed by William B. Gartner, is multidimensional and weaves together the concepts of individual, environment, organization, and process. All of these methods attempt to describe the entrepreneurial process as a consolidation of diverse factors.

### 1.7.1. An "Integrative" Approach

A more integrative picture of the entrepreneurial process is provided by Morris et al. (1994).[30] Presented in Figure 1.1, this model is built around the concepts of input to the entrepreneurial process and outcomes from the entrepreneurial process. The input component of Figure 1.1 focuses on the entrepreneurial process itself and identifies five key elements that contribute to the process. The first is environmental opportunities, such as a demographic change, the development of a new technology, or a modification to current regulations. Next is the individual entrepreneur, the person who assumes personal responsibility for conceptualizing and implementing a new venture. The entrepreneur develops some type of business concept to capitalize on the opportunity (e.g., a creative approach to solving a particular customer need). Implementing this business concept typically requires some type of organizational context, which could range from a sole proprietorship run out of the entrepreneur's home or a franchise of some national chain to an autonomous business unit within a large corporation. Finally, a wide variety of financial and nonfinancial resources are required on an ongoing basis. These key elements are then combined throughout the stages of the entrepreneurial process. Stated differently, the process provides a logical framework for organizing entrepreneurial inputs.



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[28] The special issue dealing with models of *Entrepreneurship: Theory and Practice* 17(2) (1993). See also James J. Chrisman, Alan Bauerschmidt, and Charles W. Hofer, "The Determinants of New Venture Performance: An Extended Model," *Entrepreneurship Theory and Practice* (fall 1998): 5-30.
[29] Michael H. Morris, P. Lewis, and Donald L. Sexton, "Reconceptualizing Entrepreneurship: An Input-Output Perspective," *Advanced Management Journal* 59(1 ) (winter1994): 21-31.
[30] Morris, et al., "Reconceptualizing Entrepreneurship."

**The individual**

1. Need for achievement
2. Locus of control
3. Risk taking propensity
4. Job satisfaction
5. Previous work experience
6. Entrepreneurial parents
7. Age
8. Education

**The Environment**

1. Venture capital availability
2. Presence of experienced entrepreneurs
3. Technically skilled labor force
4. Accessibility of suppliers
5. Accessibility of customers or new markets
6. Governmental influence
7. Proximity of universities
8. Availability of land or facilities
9. Accessibility of transportation
10. Attitude of the area population
11. Availability of supporting services
12. Living conditions



**The Organization**

1. Type of firm
2. Entrepreneurial environment
3. Partners
4. Strategic variables
    - Cost
    - Differentiation
    - Focus
5. Competitive entry wedges

**The process**

1. Location a business opportunities
2. Accumulating resources

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.[42]

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 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.

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[42] Robert H. Hayes and William J. Abernathy, "Managing Our Way to Economic Decline," *Harvard Business Review* (July / August 1980): 67-77; see also Amanda Bennett, *The Death of the Organization Man* (New York: Simon and Schuster, 1990); and Donald F. Kuratko, "Developing Entrepreneurship within Organizatiol1s IS Today's Challenge," *Entrepreneurship, Innovation, and Change* (June 1995): 99-104.