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Established by an Act of Government of Odisha.

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## DIPLOMA IN ENTREPRENEURSHIP DEVELOPMENT

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## **ENTERPRENEURSHIP DEVELOPMENT**

**DED-1**

**Introduction to  
Entrepreneurship Development**

**Block**

**1**

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**Unit – 1**

**Concepts and Overview of Entrepreneurship**

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**Unit – 2**

**Evolution and Growth of Entrepreneurship in India**

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**Unit – 3**

**Role of Entrepreneurship in Economic Development**

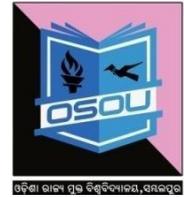
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## Unit-1

### Concepts and Overview of Entrepreneurship

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Concepts and  
Overview of  
Entrepreneurship

#### Learning Objectives

- Understand the concepts of entrepreneurship, its need and scope and importance.
- Explain meaning of the term entrepreneur and classification of various types entrepreneurs.
- Draw a line of demarcation between entrepreneurs, intrapreneurs and managers.

#### Structure

- 1.1 Introduction
- 1.2 Definition
- 1.3 Nature and Characteristics
- 1.4 Need and Importance
- 1.5 Benefits of being an Entrepreneurship
- 1.6 Types of Entrepreneurs
- 1.7 Relationship between Entrepreneur and Entrepreneurship
- 1.8 Entrepreneurs vs. Managers
- 1.9 Entrepreneurs vs. Intrapreneurs
- 1.10 Summary
- 1.11 Key Terms
- 1.12 Self Assessment Questions
- 1.13 Further readings
- 1.14 Model Questions

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### 1.1 Introduction

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An entrepreneur is someone who organises, manages and assumes the risks of a business or enterprise. He is an agent of change. Also, entrepreneurs are individuals who recognise opportunities where others see chaos or confusion. Entrepreneurs are the creators and builders of new ventures that not only fulfil their own dreams, bring them huge fortune but also make a story impact an society and ultimately improve the quality of lives of people.

When we hear the word ‘entrepreneurs’ , images of top business tycoons – Dhirubhai Ambani, LN Mittal , Bill Gates – flash in our mind . While these high profile ‘success stories’ can be inspirational for some, most of us would find it difficult to associate our own lives, personalities or abilities with these world famous multi-



## Concepts and Overview of Entrepreneurship

millionaires. But the fact is that virtually, everybody is entrepreneurial in some aspect of his or her life, entrepreneurial in terms of self-development, entrepreneurial in terms of risk taking, entrepreneurial in terms of creativity, entrepreneurial in terms of self-decision making. When these entrepreneurial traits are utilized by a person in running his business, he can rightly be called an entrepreneur.

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## 1.2 Definitions

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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”

### **International Encyclopaedia**

“An individual who bears the risk of operating a business in the face of uncertainty about the future conditions”

**Schumpeter's Definition** —The entrepreneur in an advanced economy is an individual who introduce something new in the economy- a method of production not yet tested by experience in the branch of manufacturing, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like”

### **Drucker's Views on Entrepreneur**

“An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service”

### **Richard Cantillon**

“A person who pays certain price for a product to resell it at an uncertain price thereby making decision about obtaining and using resources while assuming the risk of enterprise”

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### 1.3 Nature and Characteristics

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A clear analysis and appraisal of the above definitions further signifies the nature and characteristics of entrepreneurship. An entrepreneur is considered as a business leader and not as simple owner of capital. He is a person with intense drive and talent who perceives business opportunities and promptly seizes them for exploitation. For successful accomplishment of stated goals/objectives, an entrepreneur should have the following characteristics and nature;

**Innovation:** Entrepreneurship is innovative process. Innovation does not mean 'invention'. It means introducing new products, new technology, searching new markets, and discovering new sources of raw material etc. the innovation function gives impetus to the economic development of a country. Schumpeter has regarded innovation as a main feature of entrepreneurship. Tata's 'Nano' car is an Example of innovation in automobile industry.

**Risk bearing:** The second important characteristic of entrepreneurship is risk taking. Business is full of risks and uncertainties. The entrepreneur has to bear a number of risks in forming and running the enterprise. The market and price to be received is uncertain, there is a risk of changes in consumer likes and dislikes, in government policies, the competition may intensify etc. The entrepreneurs are calculated risk takers and not gamblers. They bear all risks in business in return of profit. Entrepreneurship develops in a society, which has a large number of persons ready to take risk.

**Decision-making:** Entrepreneurship involves decision-making. Entrepreneurs have to take decisions on selection of product, site, raw material, labour, technology etc. They have to decide the quantum and sources of capital, marketing strategies and so on. Success of entrepreneurs depends on the ability to make decision promptly and accurately, and this requires a creative and analytical mind.

**Dynamic process:** Entrepreneurship is a dynamic process. In the course of time, enterprises grow, unsuccessful enterprise die and new enterprises are established. The nature of enterprise, methods of business, nature of technology change over a period of time. Today's complex and uncertain environment compels the entrepreneurs to remain dynamic in order to survive in the market.

**Organizing process:** Entrepreneurship is an organizing process in the sense that the entrepreneur has to organize various factors of product, create an organization structure and define the roles and responsibilities of personnel and manage the enterprise. Alfred Marshall has emphasized the organizing and management functions of entrepreneur.



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**Concepts and  
Overview of  
Entrepreneurship**

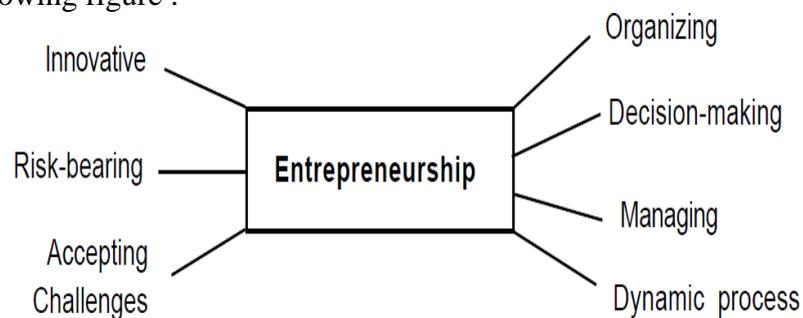


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**Accepting challenges:** Entrepreneurship gives importance to accepting challenges by the entrepreneurs. In any business, there are tremendous challenges, and the entrepreneurs cannot avoid them. The task of seeking opportunities and exploiting them itself is challenging. In today's era of globalization and hyper change entrepreneurs have to face more challenges.

**Management:** The entrepreneurs should manage the resources in an effective and viable manner. The management function has become more impact in modern times. It is the effective management, which helps entrepreneur to achieve the goals, maintain and improve the market share, fulfil the needs of customers and earn sufficient profit. The main characteristics of entrepreneurship are shown in the following figure :



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### 1.4 Need and Importance of Entrepreneurship

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It has been said that entrepreneurship is essential for economic development of nations across the globe. The entrepreneurs played an important role in their development. In socialist economies, the state played the role of the entrepreneur. But in a developing country like India which followed the path of mixed economy, both the government and the private entrepreneurs played an equally important role. Of course, there has been a significant increase in entrepreneurship in India in the post liberalisation period. People have now begun to realise the crucial role the entrepreneurs have to play for achieving the goal of economic development. They are regarded as the prime movers of innovations and act as key figures in economic development of a country. Thus, entrepreneurship:

- helps the formation of capital by bringing together the savings and investments of people;
- provides large-scale employment opportunities and increases the purchasing power of the people;
- promotes balanced regional development in the country;
- helps in reducing concentration of economic power (power to own the factor of production in a few hands).

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## 1.5 Benefits of being an Entrepreneur

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- First of all, being an entrepreneur you learn basic skills like – time management, creativity enhancement, passion, strategy planning, etc.
- It certainly helps developing strong technology skills or expertise in a key area.
- You develop the ability to keep going in the face of hardship.
- By studying Entrepreneurship and Innovation in college you can understand and adapt change, because change is at the very core of Entrepreneurship.
- You develop the ability to think and then do big.
- Do what you enjoy.

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## 1.6 Types of Entrepreneurs

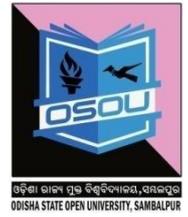
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Entrepreneurs may be classified in a number of ways.

### A. ON THE BASIS OF TYPE OF BUSINESS:

Entrepreneurs are classified into different types. They are

- **Business Entrepreneur:** He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.
- **Trading Entrepreneur:** He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.
- **Industrial Entrepreneur:** He is an entrepreneur who undertakes manufacturing activities.
- **Corporate Entrepreneur:** He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.
- **Agricultural Entrepreneur:** They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agripreneurs.



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**ON THE BASIS OF USE OF TECHNOLOGY:**

Entrepreneurs are of the following types.

- 1) **Technical Entrepreneur:** They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.
- 2) **Non-Technical Entrepreneur:** These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.
- 3) **Professional Entrepreneur:** He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

**B. ON THE BASIS OF MOTIVATION:**

Entrepreneurs are of the following types:

- 1) **Pure Entrepreneur:** They believe in their own performance while undertaking business activities. They undertake business ventures for their personal satisfaction, status and ego. They are
- 2) **Guided by the motive of profit.** For example, Dhirubhai Ambani of Reliance Group.
- 3) **Induced Entrepreneur:** He is induced to take up an entrepreneurial activity with a view to avail some benefits from the government. These benefits are in the form of assistance, incentives, subsidies, concessions and infrastructures.
- 4) **Motivated Entrepreneur:** These entrepreneurs are motivated by the desire to make use of their technical and professional expertise and skills. They are motivated by the desire for self-fulfillment.
- 5) **Spontaneous Entrepreneur:** They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

**C. ON THE BASIS OF STAGES OF DEVELOPMENT:**

They may be classified into;

- 1) **First Generation Entrepreneur:** He is one who starts an industrial unit by means of his own innovative ideas and skills. He is essentially an innovator. He is also called new entrepreneur.
- 2) **Modern Entrepreneur:** He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

- 3) Classical Entrepreneur: He is one who develops a self supporting venture for the satisfaction of customers' needs. He is a stereo type or traditional entrepreneur.

#### **D. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY:**

They are classified as follows:

1. Novice: A novice is someone who has started his/her first entrepreneurial venture.
2. Serial Entrepreneur: A serial entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. He repeatedly starts businesses and grows them to a sustainable size and then sells them off.
3. Portfolio Entrepreneurs: A portfolio entrepreneur starts and runs a number of businesses at the same time. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities.

#### **E. CLASSIFICATION BY CLARENCE DANHOF:**

Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

1. Innovative Entrepreneurs: They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise. Innovative entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.
2. Adoptive Or Imitative Entrepreneurs: Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. They copy and learn from the innovating entrepreneurs. While innovating entrepreneurs are creative, imitative Entrepreneurs are adoptive.
3. Fabian Entrepreneurs: These entrepreneurs are traditionally bounded. They would be cautious. They neither introduce new changes nor adopt new methods innovated by others entrepreneurs. They are shy and lazy. They try to follow the footsteps of their predecessors. They follow old customs, traditions, sentiments etc. They take up new projects only when it is necessary to do so.
4. Drone Entrepreneurs: Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced.



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5. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods.
6. There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

**Commercial Entrepreneurs :** They are those entrepreneurs who start business enterprises for their personal gain. They undertake business ventures for the purpose of generating sales and profits. Most of the entrepreneurs belong to this category.

**Social Entrepreneurs :** They are those who identify, evaluate and exploit opportunities that create social values and not personal wealth. Social values refer to the basic long standing needs of society. They focus on the disadvantaged sections of the society. They play the role of change agents in the society. In short, social entrepreneurs are those who start ventures not for making profits but for providing social welfare.

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### 1.7 Relationship between Entrepreneur and Entrepreneurship

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Entrepreneurship is concerned with the performance and coordination of the entrepreneurial functions. This also means that entrepreneur precedes entrepreneurship.

Entrepreneur	Entrepreneurship
Person	Process
Organiser	Organisation
Innovator	Innovation
Risk-bearer	Risk-baring
Motivator	Motivation
Creator	Creation
Visualiser	Vision
Leader	Leadership
Imitator	Imitation

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### 1.8 Entrepreneurs vs. Managers

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In general it is commonly understood that entrepreneurs are always business owners, but managers are paid employees in the organisation. A clear line of demarcation can be made between entrepreneurs and managers on several parameters as detailed below:



Point for Distinction	Entrepreneur	Manager
<b>1. Goal Management</b>	An entrepreneur starts a venture by setting up a new enterprise for his personal gratification.	But the main aim of a manager is to render his service in an Enterprise already set up by someone.
<b>2. Status</b>	Entrepreneur is the owner of Enterprise.	A manager is the servant in the Enterprise.
<b>3. Risk</b>	An entrepreneur bears all risks and uncertainty involved in the Enterprise.	A manager being a servant does not bear any risk involved in the Enterprise.
<b>4. Rewards</b>	Entrepreneur for his risk bearing role he receives profits. It is not only uncertain and irregular but can at times be negative.	A manager receives salary as reward for service rendered which is fixed and regular can never be negative.
<b>5. Innovation</b>	As an innovator he is called as change agent who introduces goods and services to meet changing needs of the customer.	A manager executes the plans of the entrepreneur. Thus a manager translates the ideas into practice.

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### 1.9 Entrepreneurs vs Intrapreneurs

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Bases of difference	Entrepreneur	Entrepreneur
1. Dependency	An entrepreneur is independent in his operation.	But an entrepreneur is dependent upon the entrepreneur i.e the owner
2. Raising of funds	he/she himself raises funds required for the enterprise.	Funds are not raised by the entrepreneur.
3. Risk	He/she bears the risk associated with the enterprise.	He/she doesn't fully bear the risk associated with the enterprise.
4. Operation	He/she operates from the outside.	He/she operates within the organisation itself.

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### 1.10 Summary

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An entrepreneur is an agent of change who plays a vital role in the economic development process .In fact he is an organiser who combines various faction of production to produce a socially viable product or service and user his initiative, skill and motivation aspiring for high achievements. All entrepreneur posses certain important quality, skill and characteristics



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so as to emerge successful in their respective ventures .The entrepreneurs are broadly classified in to four types, namely ,imitative, innovative, fabien and drone entrepreneurs .Entrepreneur and entrepreneurship are two sides of the same coin, while an entrepreneur is an individual who creates and establish a businessmen , entrepreneurship is the process adapted by an entrepreneur to do so. An entrepreneur differs from a manager on various counts. While the entre happens to be the owner of a businessmen, the manager happen to be a paid employee .The entrepreneur emerging from within the confiners of organisation are called “Intrapreneurs” .The scope of entrepreneurship is tremendous country like India with problem of population and huge unemployment.

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#### 1.11 Key Terms

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- **Manager-** A person who manages the different managerial activities of an organisations
- **Entrepreneur-** An individual who takes initiatives to launch new products / services for the society, thereby taking risk and earning reward / profit.
- **Entrepreneurship-** It is the entire process of undertaking entrepreneurial activities in an organisation.
- **Intrapreneurs-** A person who undertakes entrepreneurial activities through utilizing not his own resources, but utilizes the resources in an organisational context.

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#### 1.12 Self-Assessment Questions

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1. Who is an entrepreneur and how is he different from a manager?

Ans: \_\_\_\_\_

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2. Consider an entrepreneur whom you know in person. Find out what are the most significant reasons for him to peruse an independent business career.

**Ans:** \_\_\_\_\_  
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**1.13 Further readings**

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1. Desai V. *The Dynamics of Entrepreneurial Development and Management*, Himalaya Publishing House, Mumbai.
2. Ray, R. *Entrepreneurship*, Oxford University press, Neco Delhi.
3. Lall, M. and Sahai, S, *Entrepreneurship*, Excel Book s, New Delhi.
4. Khanku, S S, *Entrepreneurial Development*. S Chand & Company Ltd, New Delhi,
5. Sharma, S. Mathur, R. and Triatic, N. *Entrepreneurship Development*, Vikas Publishing House Pvt Ltd, New Delhi.

**1.14 Model Questions**

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**Qustion :**

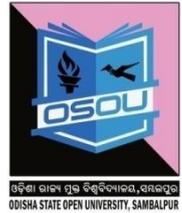
1. What in meant by intreprenuer? How will you distinguish intreprenuer from entrepreneur?
2. Mention some of the important characteristics of successful entrepreneurs.
3. Why creativity and innovation is considered to be important for entrepreneurs to succeed in life and career ?

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## Unit-2

### Evolution and Growth of Entrepreneurship in India

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### Evolution and Growth of Entrepreneurship in India

#### Learning Objectives

After Completion of the Unit, you should be able to:

- Understand how entrepreneurial process grew in India over a period of time.
- Entrepreneurial practices in pre-independence and post-independence India.
- Explain the recent trends and current practises in recent years.

#### Structure

- 2.1 Introduction
- 2.2 Evolution of Entrepreneurship
- 2.3 Factors affecting growth of Entrepreneurship in India
- 2.4 Business Enterprising in Past
- 2.5 Overview of Indian society and entrepreneurship development
- 2.6 Entrepreneurship Development in Post-independence India
- 2.7 The Indian start-ups : Past and Present
- 2.8 Summary
- 2.9 Key Terms
- 2.10 Self Assessment Questions
- 2.11 Further readings
- 2.12 Model Questions

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### 2.1 Introduction

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Today, many more Indian entrepreneurs are emerging in the business world. Astonishingly enough, they are quite different from when they first appeared over twenty years ago. In the 1980s, the Indian economy was greatly bogged down by an atrocious socialistic ideology, whereby a rigid license raj and corrupt bureaucratic control was how businesses were conducted. It began when Jawaharlal Nehru, India's first Prime Minister, wanted to tailor the Indian economy after the Soviet Union's socialistic economic structure. In his mind, he strongly believed that the state should control every aspect of the Indian economy, and thus, a planned economic growth could be achieved. His idea revolved around issuing licenses to a worthy few who were selected based on their credentials and the existing market economies of operation. Although Nehru had good intentions, the way he executed his plan proved to be counterproductive. Nehru strongly believed that entrepreneurs should focus their efforts on nation building rather than selling products or competing with each other, because he felt that it did not directly contribute to this cause. To ensure that the concept



## **Evolution and Growth of Entrepreneurship in India**

of nation building was properly enforced by all business owners, Nehru made sure that every entrepreneur received a "certified nation building" license from the relevant license officer. He also put forth a rule stating that only two to three companies could be granted a license within the same industry, greatly limiting the possibility of establishing competition. In addition, Nehru wanted industries to be located all over India, rather than be positioned at select industrial hubs, a strategy which he theorized would ensure a balanced industrial growth.

During this license raj, most highly qualified young Indian graduates had no family connections nor were interested in influencing excise officers. Therefore, many of them immigrated to the United States to avoid such red tape and to gain economic freedom. Realizing that the existing economy was in dire crisis, Indian business practices began changing for the better in 1991 after extensive economic reforms. By ridding the old socialistic license raj system, Indian entrepreneurs no longer needed to worry about excise officers in order to achieve their business goals. This encouraged them to start focusing on expanding their markets and acquiring more customers.

Today's promising market conditions have been very encouraging to many young graduates who strongly believe that they have the technical knowledge and skills to attract new customers. These young Indian entrepreneurs are not the typical and conventional business entrepreneur. They are the children of many business professionals. As elite graduates of IITs, National Institutes of Technology, Indian Institute of Science, and the IIMs, this new young breed of worthy entrepreneurs have targeted their efforts on innovative ways to technologically address the genuine needs of millions of people.

The rapid success of Indian American entrepreneurs has led to vast angel investments in India. Organizing themselves into angel confederacies after the Band of Angels in the Silicon Valley, each member diligently researches and pools their own capital for each prospective investment. Being known for founding and establishing well-known companies such as Symantec, Logitech, National Semiconductor, Sun Microsystems, Hewlett Packard, and Intuit, etc., these angel investors like to invest their time and money into new, cutting edge, start-up companies. This trend has boasted the pace at which new start-ups are being established in India.

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## 2.2 Evolution of Entrepreneurship

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The earliest definition of entrepreneur was given by Marco polo. He had established a trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant took the role of trading . After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

**Middle Ages :** In the Middle Ages ,the term entrepreneur was referred to a person who was managing a large number of project . He used to manage the projects using the resources provided. An example is a cleric who is in charge of great architectural works such as castles, public building, cathedrals etc.

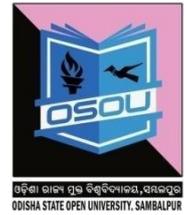
**17<sup>th</sup> century :** In the 17<sup>th</sup> century ,an entrepreneur was a person who used to have a contractual arrangement with the government to perform a service or to supply some goods .The profit or loss was borne by the entrepreneur.

**18<sup>th</sup> century :** It was Richard Cantillon, a French Economist, who applied the term entrepreneur to business for the first time. He is regarded, by some, as the founder of the concept of entrepreneurship. He defined an entrepreneur as a person who buys service at certain prices with a view to sell them at uncertain prices in the future.

**19<sup>th</sup> century:** In the 19<sup>th</sup> century, the entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective . An entrepreneur was the one who assumes risk, contributes his own initiative and skills, plans, organizes and leads his enterprise.

**20<sup>th</sup> century :** During the early, Dewing considered entrepreneur as a business promoter and viewed the promoter as the one who transformed ideas into a profitable venture. It was Josheph Schumpeter who described that an entrepreneur is an innovator who develops untried technology.

**21<sup>th</sup> century :** According to some research scientists like Live De Bone to be an entrepreneur it was not necessary that an individual generates an entirely new idea, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur.



**Evolution and Growth of  
Entrepreneurship  
in India**



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## **2.3 Factors affecting growth of Entrepreneurship in India**

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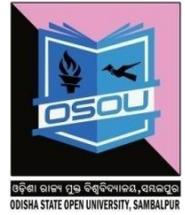
Entrepreneurship is a complex phenomenon influenced by the interplay of a wide variety of factors. The entrepreneurial activity at any time is dependent upon a complex and varying combination of economic, social, political, psychological and other factors. These factors may have been both positive and negative influences on the emergence of entrepreneurship. Positive influences constitute facilitative and conducive conclusive for the emergence of entrepreneurship whereas negative influences create inhibiting milieu to the emergence of entrepreneurship. Following factors contribute to the success of entrepreneurship:

### **1. Personality Factors**

Personality traits such as inner desire for control of their activities, tolerance for risk, high level of tolerance to function in adverse situations and background experiences such as the family environment, level of education, age and work history tolerance for ambiguity are important personal characteristics that affect entrepreneurship. Individuals who are desirous of working independently; willing to work for long hours and assume risk; are self-confident and hard-working are likely to be more successful as entrepreneurs than those who do not possess these qualities

Personal factors, becoming core competencies of entrepreneurs, include:

- (a) Initiative (does things before being asked for)
- (b) Proactive (identification and utilization of opportunities)
- (c) Perseverance (working against all odds to overcome obstacles and never complacent with success)
- (d) Problem-solver (conceives new ideas and achieves innovative solutions)
- (e) Persuasion (to customers and financiers for patronization of his business and develops & maintains relationships)
- (f) Self-confidence (takes and sticks to his decisions)
- (g) Self-critical (learning from his mistakes and experiences of others)
- (h) A Planner (collects information, prepares a plan, and monitors performance)
- (i) Risk-taker (the basic quality).



## **2. Environmental factors**

These factors relate to the conditions in which an entrepreneur has to work. If the environment that a individual is working in is unsatisfactory, that is, not conducive to his growth needs, it is likely that the individual will quit his job and start his own business as an entrepreneur. Unsatisfied personal needs for growth and achievement in employment conditions results in successful entrepreneurship.

## **3. Political**

Some researchers felt that the growth of entrepreneurship cannot be explained fully unless the political set-up of a country is taken into consideration. Political stability in a country is absolutely essential for smooth economic activity. Frequent political protests, strikes, etc. hinder economic activity and entrepreneurship. Unfair trade practices, irrational monetary and fiscal policies, etc. are a roadblock to the growth of entrepreneurship

## **4. Socio-Economic Factors**

The entrepreneurial activity at any time and place is governed by varying combination of socio-economic factors. The empirical studies have identified the following socioeconomic factors:

Cast/religion

Family background

Level of Education

Level of perception

Legitimacy of Entrepreneurship

Migratory character

Social Mobility

Social Security

Investment capacity

Ambition/motivation

## **5. Economic Factor**

Factors such as availability of finance, labour, land, accessibility of customers, suppliers are the factors that stimulate entrepreneurship. Capital is one of the most important prerequisites to establish an enterprise. Availability of sufficient capital affects the introduction, survival and growth of a business enterprise. Capital is regarded as lubricant to the process of production. If we increase in capital investment, capital output



## Evolution and Growth of Entrepreneurship in India

ratio also tends to increase. This results in an increase in profit, which ultimately goes to capital formation. Due to this capital supply increase, entrepreneurship also increases.

### 6. Other Factors

#### Entrepreneurial Education

More and more people with high academic attainments started joining the ranks of industrialists, especially the professionals holding qualifications in engineering, law, medicine, cost and chartered accounting. The newer entrepreneurs have a larger proportion of their floatation in the traditional sector, but these professionals have by and large preferred to make their investments in the modern sector. The technicians in particular among both old and new entrepreneurs have entered industries in the modern sector having a bearing of their academic qualifications. Many universities and institutes are nowadays offering entrepreneurship education. A number of institutes have set up successful entrepreneurship centres, which provide help to budding entrepreneurs by conducting formal training and structured mentoring programs.

#### Impact of Services Sector

Increase in per capita income leads to a greater share of the services sector in the national economy. The average size of firms' in many sections of the services sector are relatively small. This in turn promotes entrepreneurial activity across a number of service sector industries. Even for some developing countries such as India, services account for over half of the total GDP. Growing importance of services in the overall economy has paved the way for entrepreneurial activity. New industries such as software and business process outsourcing have emerged and these have a large number of entrepreneurial firms.

#### Increasing Demand for Variety

Increased wealth has led to an increase in the demand for variety. The increasing demand for new products is of advantage to smaller firms. A number of studies have shown the comparative advantage of smaller firms in being innovative and coming up with new products. If the products have unmet demand, it will create a market for itself. The success of entrepreneurship is, therefore, dependent upon the extent to which the product is in demand. Changes in consumer tastes are a major reason for growth of entrepreneurship. People are inclined to products that are specifically designed to meet their special needs. Mass produced homogenous goods do not enjoy as wide an appeal anymore.

## Impact of Ethical Value System

Max Weber was first to point out that the entrepreneurial growth was governed by the ethical value system of the society concerned. He said that the spirit of rapid industrial growth depends upon a rationalized technology, acquisition of money and its rational use for productivity and multiplication of money. These elements depend upon a specific value orientation of individuals. Entrepreneurship develops rapidly in those societies where ethical values provided independent capacity of decision-making. No doubt, this view has some truth but it is not accepted universally.

## Internal Control System

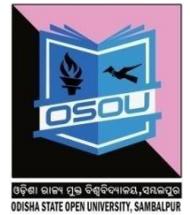
Entrepreneurship largely depends upon the control system designed for controlling the business activities. If the control system is effective they will result in optimal inventory, good quality products and high profit margins. This will have a positive effect on the success of entrepreneurship.

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## 2.4 Business Enterprising in Past

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Since ancient times, Indian products have made their way to markets abroad. Muslin from India was used by the Pharaohs for Egyptian mummies. Value systems and cultural norms affect the acceptability and perceived utility of entrepreneurial activity. Thus, whereas Western culture tends to encourage the drive to achieve that McClelland found to be a key aspect of the entrepreneurial personality, the Indian culture consists of a network of beliefs that in many ways counter entrepreneurship development. For example, Indians believe that being passive and content with the status quo is healthier for the inner soul than striving to improve one's situation. They believe that peace of mind can be achieved from spiritual calm rather than from materialism. Work, in and of itself, is not valued in India and is done with involvement only when done for a nurturing superior; otherwise, it gets perfunctory attention. People in India perform their work only as a favour to their employer. In India, much energy and creativity (which may have been manifested in entrepreneurial behaviour in the context of a different culture) is redirected toward aligning oneself with the environment status quo (accepting destiny). As explains, people are more sensitive to emotional affinity in the workplace than toward work and productivity. Although colonialism provided opportunities for Western entrepreneurs, colonial government was rarely an agent of expatriate enterprise or metropolitan industries.



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Authors find that the rise of *marwari* businessmen in Eastern India began well before Independence and that the political history of late colonialism was only loosely connected to business history on the subcontinent. Entrepreneurship flourished among ethnic minorities which formed special links with colonial authorities, such as the *parsees* in nineteenth century India. The Jains have long been a trading community, not out of an entrepreneurial spirit based on materialism, but rather because trading was an occupation that kept them relatively free from conflict with the requirements of their religious practices. The *marwaris* (formerly known as *baniyas*) are a non-Bengali caste specializing in domestic trade. Their enterprises have complemented those of English entrepreneurs had become prominent in a diversified industrial economy.

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### 2.5 Overview of Indian society and entrepreneurship development

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Gujaratis of Ahmedabad, Gujaratis of large cities were diligent and adventurous and following the example of the *parsis* were venturing into new business combines. The ‘clever and sensitive’ Bengalis, owing to their affinity with the colonialists were able to amass wealth and start new businesses. If we look into the basic differences between Calcutta (the first trading capital of East India Company) and Bombay (the trading capital of India in later days), the differences in their functioning become very clear. Under the prevalent managing agency system, capital was raised within a particular business group based on the credit standing of a small number of capable entrepreneurs, who controlled their enterprises. Each business group developed itself into a trust based on family ties, which aspect has greatly diminished in importance in recent times. Big cities provided prospective businessmen the opportunities for their growth and determined the nature of domestic consumption in the light of import of British goods. The British way-of-life became common amongst the high-income classes, with its own demonstration effect. As the cities expanded, factory system of production was adopted, leading to a different mode of commodity consumption, as distinct from the traditional way in the rural areas. While the city-made goods would be available everywhere, the artisanries were consumed mainly in the rural areas. The factory products and the rural traditional products in a way performed different roles in the lives of Indian people. However, the picture is fast changing with the

impact of urbanization and industrialization which are changing the rural consumption habits very much. The retarding caste system has resulted in a high proportion of people (especially in rural areas) living below poverty line. The towns of Navsari (in the hinterland of Bombay and the Mecca of parsi community) and Murshidabad (in the hinterland of Calcutta where the marwaris were expanding their influence into that city) can be compared in respect of consumption differences. Navsari was a cotton centre, while Murshidabad was a silk trading centre. While the kinds of products supplied by handicrafts industry varied according to castes, their distribution and consumption were also on caste lines. In Navsari, the parsi entrepreneurs effected the substitution of traditional products by new products which were cheaper as a result of large scale production.

The Birla combine of the marwari community is characterized by solidarity of family ties and has been mainly involved in the production of consumption goods. Its proposal for construction of a steel plant was rejected by the government in 1954 which resolved that only government can undertake new steel plants. B M Birla had explained to the estimates Committee of the Parliament that the negotiations for British aid was satisfactory and that the costs would be lower than that under any government venture of similar type.

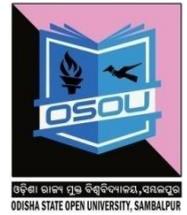
Many business combines of today had their origins in the 17th century. These castes achieved their growth by associating themselves with the Portuguese, Dutch and French business houses operating in important trading centres. After the British domination, these merchants continued their activities entering into close association with British capital. Hence their profit seeking interests were in contradiction with the national spirit of the intellectual class. That the entrepreneurs had deliberately separated their economic and political activities to enable their communities to prosper is significant when compared to that of industrialized countries.

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## **2.6 Entrepreneurship Development in Post-independence India**

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India created a large number of government institutions to meet the objective of growth with equity. The size of the government grew substantially as it played an increasingly larger role in the economy in such areas as investment, production, retailing, and regulation of the private sector. For example, in the late 1950s and 1960s, the government established public sector enterprises in such areas as production and distribution of electricity, petroleum products, steel, coal, and engineering goods. In the late 1960s, it nationalized the banking and insurance sectors. To alleviate the shortages of food and other agricultural outputs, it provided modern agricultural inputs (for example farm machinery,



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irrigation, high yielding varieties of seeds, chemical fertilizers) to farmers at highly subsidized prices. In 1970, to increase foreign exchange earnings, it designated exports as a priority sector for active government help and established, among other things, a duty drawback system, programmes of assistance for market development, and 100 per cent export-oriented entities to help producers export. Finally, from the late 1970s through the mid-1980s, India liberalized imports such that those not subject to licensing as a proportion to total imports grew from five per cent in 1980-1981 to about 30 per cent in 1987-1988. However, this partial removal of quantitative restrictions was accompanied by a steep rise in tariff rates.

The progress of Indian economic development provides further evidence that individuals do respond to incentives in their pursuit of self-survival and accumulation of wealth. Further, the nature of this response depends on the economic climate, particularly the role of the government. India's economy struggled as long as it was based in a system of government regulation with little interaction with economic forces outside the country. The economic reforms of the early 1990s set the stage for substantial improvements in the Indian economy. As was stated earlier,<sup>40</sup> India's economy grew at an average of 6.3 per cent from 1992-1993 to 2000-2001. Further, its rate of inflation and fiscal deficit both decreased substantially. Improved exchange rate management led to improved financing of the current account deficit and higher foreign exchange reserves. Finally, India's GDP and per capita income both increased substantially from 1990 onwards.

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### 2.7 The Indian Start-ups : Past and Present

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The accelerated boom of entrepreneurs, massive funding raised by start-ups and their reported astounding valuations validates that this is probably the best time for the start-up ecosystem in India. Numbers do the telling: The rapid growth of start-ups in India. The 2014 NASSCOM start-up report has found India to be the fastest growing and third largest start-up ecosystem in the entire planet. The current scenario is considered to be the most viable for start-ups. The technological advances, more accessible resources, knowledge pool, massive funding, emerging global standards and thriving domestic markets are fuelling start-ups and creating conducive environment for their growth.

Indian Entrepreneurship has a rich history. While the current entrepreneur mindset may differ from what it was in the pre-independence era, the period did see surge of start-ups, of course, at a much slower rate than the present. With India celebrating its 69th Independence Day in a few days, let us revisit the evolution of the start-ups in India from the pre-Independence era to the present day.

### **Indian Start-ups : Pre-independence to Present**

The colonial era saw entrepreneurship to be confined by the boundaries of social, cultural and religious rigidities. Further, the colonial rule brought in an array of political and economic factors that were non-conducive for entrepreneurship. The volatile political environment, lack of favourable laws, harsh tax policies restricted the surge of entrepreneurship. The education system did nothing to encourage emergence of start-ups during this period. Slowly, the social reforms, rising nationalism and betterment of education brought steady change in the scenario.

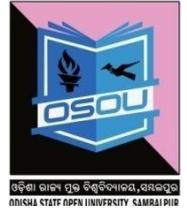
In spite of these drawbacks, the East India Company, deliberately or accidentally, seems to have played a vital role in the emergence of Indian entrepreneurs. The popularity of swadeshi campaign, a campaign focussed on the use of indigenous goods by locals, is also believed to have played a significant role in the growth of start-ups in the country.

The period between the world wars was marked by the visible growth of entrepreneurship in India. The emergence of the Managing Agency System played a significant role in growth of entrepreneurship during this period. The following decades brought many opportunities for business that was effectively capitalised by entrepreneurs. This coupled with the society attitude broadened the vision for the Indian business class. This remained to be the backdrop for the growth of Indian entrepreneurship after Independence.

Independence was marked by significant shift in the entrepreneurial sector. With the new found freedom, entrepreneurs gained the confidence and belief to pursue their entrepreneurial dreams. Need of employment and regional development paved way for start-ups. However, during this period policies were not formulated with any special emphasis on entrepreneurship. Development of industries on large scale was still the focus.

### **Impact of Globalization**

Globalization means international integration : It is concerned with opening up of world trade, development of advance means of communication internationalization of financial markets, growing importance of MNCs, population migrations and increase mobility



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ଓଡ଼ିଶା ରାଜ୍ୟ ଓପେନ ୟୁନିଭରସିଟି, ସମ୍ବଲପୁର  
ODISHA STATE OPEN UNIVERSITY, SAMBALPUR

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of persons, goods, capital data's and ideas. Economic impact of globalization can be viewed in the form of multi-lateral agreements in trade, taking on such new agendas as environmental and social conditions; new multilateral agreements for services, intellectual properties, communications and more bindings on national governments rather than any previous agreements; market economic policies spreading around the world with greater privatization and liberalization than in earlier decades; growing global People can now execute trade services globally.

### Problems with Globalization

Poor people, tribal groups were not affected by globalization and remain poor and poorest as they were; increase in gap between rich and poor. Ethical responsibility of business has been diminished. Price hike of daily usable commodities decreased consumption of commodities. Young generation leaving their studies at an early stage and joining call centres to earn easy money, there by losing their social life and getting habituated to work, multi-party rule, political ideology, intervened globalization through reservation labour law reformation etc.

India is getting a global recognition, it is slowly moving towards being a major player in economic and political field. In spite of rapid development basic problems like unemployment rural poverty, political instability, corruption remains unsolved. The process of globalization has changed the industrial pattern and has an impact on Indian trade system. Globalization of economic, social, and cultural structure happened. Previously the pace of progress has slow, today with the advent of information technology, the world has become a global village.

Globalization has resulted in increasing in production of range of goods MNCs entered all over the world. Credit cards boosted consumerism and pushed many house hold indebtedness. A consumerist mentality adversely affected on the habit of saving, today people can buy goods and services even if they do not have adequate purchasing power, raising loans become easy.

The process of economic reforms since 1991 has a major impact on small enterprises in India. These initiatives, on one hand, created tremendous opportunities for their growth; on the other hand, they have thrown up new challenges for them. Issues like building global competitiveness, technology up gradation, and achieving world class quality have become essential for survival and growth of small enterprises. Prior to reforms, government has overprotected small enterprises. They never had a strong desire to grow to medium and large scale because of the protection given to them. Now they have to

face severe competition from domestic and multinationals large enterprises. Competition from multinational companies has made survival difficult for small enterprises. They are facing problems like delay in project implementation, lack of infrastructural facilities, inadequate availability of finance and credit, cheap and low quality products, delay in payment, technology obsolescence, lack of proper knowledge about markets, stiff competition, lack of managerial skills etc. Small enterprises suffer since lending institutions and promotional agencies serve multinationals and big players on a priority basis. In the changed environment after globalization and liberalization, the policies for small enterprises need to be effective and growth oriented so as to achieve competitiveness.

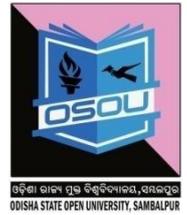
### Impact of World Trade Organization (WTO)

The WTO was established to deal with all the major aspects of international trade and it had far reaching effect not only on India's foreign trade but also on its internal economy. India is signatory to WTO. WTO has altered the framework of international trade. The main outcome of WTO stipulated requirements will be brought about through reduction in export subsidies, greater market access, removal of non-tariff barriers, and reduction in tariffs. There will also be tighter patent laws through regulation of intellectual property rights under Trade Related Intellectual Property Rights (TRIPS) agreements, which laid down what is to be patented, for what duration and on what terms. SME sector is most vulnerable to impact of WTO. The impacts are: Import of consumer goods from East Asia and China Shift in procurement by large companies from SMEs to overseas suppliers. Inability of SMEs to implement anti-dumping measures and counter other unfair practices such as moves by competitors to patent traditional Indian products and brands. Continuing of imports through illegal channels via neighbouring countries. WTO has both favourable and non favourable impact on the Indian economy.

**Favourable Impact:** Increase in export earnings: Increase in export earnings can be viewed from growth in Merchandise exports and growth in service exports. Establishment of WTO has increased the exports of developing countries because of reduction in tariff and non-tariff trade barriers. WTO introduced GATS (General Agreement on Trade in Services) that proved beneficial for countries like India.

**Agricultural exports:** Reduction of trade barriers and domestic subsidies raise the price of agricultural products in international market. India hopes to benefit from this in the form of higher export earnings from agriculture. Textile and clothing; the phasing out of MFA will largely benefit the textile sector. It will help the developing countries like India to increase the export of textile and clothing.

**Foreign Direct Investment:** As per the TRIMs agreement, restrictions on foreign investment have been withdrawn by the member nations of WTO.





## Evolution and Growth of Entrepreneurship in India

This has benefited developing countries by way of foreign direct investment, Euro equities and portfolio investments. Multilateral rules and discipline: It is expected that fair trade conditions will be created due to rules and disciplines related to practices like anti-dumping, subsidies and countervailing measures, safe guards and dispute settlement. Such conditions will benefit India in its attempts to globalize its economy.

**Unfavourable Impact: TRIPs** : Protection of intellectual property rights has been one of the major concerns of WTO. As a member of WTO India has to comply with the TRIPs standards. However, the agreement on TRIPs goes against the Indian Patent Act, 1970 in the following ways –

**Pharmaceutical Sector** - Under the Indian patent act 1970 only process patents are granted to chemical, drug and medicine. Thus the company can legally manufacture one if it had the product patterns. So Indian pharmaceutical company could sell good quality products (medicines) at low prices. However under TRIPs agreement product patents will also be granted, that will raise the prices of medicine. Fortunately most of drugs manufacture in India are off patents and so will be less affected.

**Agricultural** – Agreement on TRIPs extends to agriculture the MNCs with their huge financial resources may also take over seed production and will eventually control food production. Large majority of Indian population depends on agriculture for their livelihood. These developments will have serious consequences. Under TRIPs agreement, patenting has been extended to microorganisms well. These mills largely benefit MNCs and not developing countries like India.

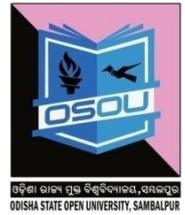
**TRIMS**: The agreement on TRIMS favours developed nations. There are no rules in the agreement to formulate international rules for controlling business practices of foreign investors, also complying with the TRIMS agreement will contradict our objective of self-reliant growth based on locally available technology and resources.

**GATS**: The agreement on GATS also favours developed nations more. The rapidly growing service sector in India. Now has to compete with joint foreign firms. Foreign firms are allowed to remit their profits, dividends and royalties to their parent companies, it will cause foreign exchange burden of India.

**Trade and Non-Tariff Barriers**: Reduction of trade and non-tariff barriers has adversely affected exports on various Indian products have been hit by nontariff barrier. These include marine product, textile, floriculture, pharmaceutical, basmati rice, leather goods etc.

LDC Exports: Many member nations are agreed to provide duty free and quota free market access to all products originating from least developed countries. India will have to now bear the adverse effect of competing with chief LDC exports. Moreover LDC exports will also come to the Indian market and thus compete with PETE domestically produced goods.

WTO is a powerful body that will enact international laws on various matters. It will also globalize many countries and make them to develop their competitive advantages and seek benefits from advance technology of other nations. Countries like India will face serious problems by compiling to WTO agreements. Of course it can also benefit can it by taking advantage of the changing international environment.



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## **2.8 Summary**

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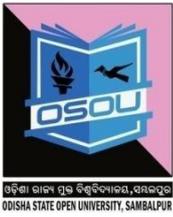
Today's promising market conditions have been very encouraging to many young graduates who strongly believe that they have the technical knowledge and skills to attract new customers. These young Indian entrepreneurs are not the typical and conventional business entrepreneur. According to some research scientists like Live De Bone to be an entrepreneur it was not necessary that an individual generates an entirely new idea, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur.

The entrepreneurial activity at any time is dependent upon a complex and varying combination of economic, social, political, psychological and other factors. These factors may have been both positive and negative influences on the emergence of entrepreneurship.

Since ancient times, Indian products have made their way to markets abroad. Muslin from India was used by the Pharaohs for Egyptian mummies. Value systems and cultural norms affect the acceptability and perceived utility of entrepreneurial activity.

The progress of Indian economic development provides further evidence that individuals do respond to incentives in their pursuit of self-survival and accumulation of wealth.

The accelerated boom of entrepreneurs, massive funding raised by start-ups and their reported astounding valuations validates that this is probably the best time for the start-up ecosystem in India.



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## 2.9 Key Terms

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- **Evolution of entrepreneurship** – It refers to the emergence of entrepreneurs with reference to the demand of the eco-system.
- **Growth and development** - Economic growth is generally a short run concept while economic development is a long time commitment.
- **Growth of entrepreneurship** - It is all about the identification of an opportunity, creation of new organization, and pursuing new ventures.
- **Start-Ups**- These are entrepreneurial ventures typically describing newly emerged, fast-growing business.

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## 2.10 Self-Assessment Questions

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Explain the evolution of entrepreneurship in India in brief.

**Ans:** \_\_\_\_\_

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Identify the factors that put an adverse effect on the growth of entrepreneurship.

**Ans:** \_\_\_\_\_

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What is the positive impact of globalisation on Indian economy?

Ans: \_\_\_\_\_

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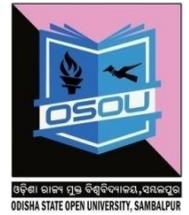
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### **2.11 Further Readings**

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2. Ray, R, *Entrepreneurship* Oxford University press, New Delhi.
3. Lall, M, and Sahai, S, *Entrepreneurship*, Excel Books, New Delhi.
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### **2.12 Model Questions**

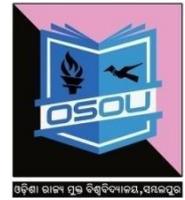
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1. Make an appraisal of entrepreneurial growth in India by comparing the past and present trend.
2. Explain the entrepreneurial dreams of the new generation with regard to Start-ups in India.
3. Highlight the personality factors in details that grossly affect entrepreneurial growth and development.
4. Differentiate between GATT and WTO. How WTO membership benefited India?

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**Unit-3**  
**Role of Entrepreneurship in Economic Development**

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**Role of  
Entrepreneurship  
in Economic  
Development****Learning Objective**

After Completion of the Unit, you should be able to:

- Explain the significance of entrepreneurs in economic development.
- Describe the role of entrepreneurs as leaders.
- Highlight the ultimate contribution of entrepreneurs to the society.

**Structure**

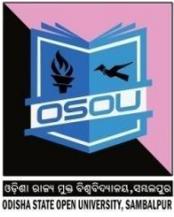
- 3.1 Introduction
- 3.2 Notion of Economic Development
- 3.3 Role of Entrepreneurs
- 3.4 Entrepreneurship: The heart of economic growth
- 3.5 Entrepreneurs and Society
- 3.6 Entrepreneurial contributions in India
- 3.7 Summary
- 3.8 Key Terms
- 3.9 Self Assessment Questions
- 3.10 Further readings
- 3.11 Model Questions

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**3.1 Introduction**

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The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions than in the economies with relatively less favourable opportunity conditions. Viewed from the opportunity conditions point of view, the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non-existence of minimum social and economic overheads, are less conducive to the emergence particularly of innovative entrepreneurs. In such regions, entrepreneurship does not emerge out of industrial background with well developed institutions to support and encourage it. Therefore, entrepreneurs in such regions may not be an “innovator” but an “imitator” who would copy the innovations introduced by the “innovative” entrepreneurs of the developed



## **Role of Entrepreneurship in Economic Development**

regions. With regard to the concept of personality aspect of entrepreneurship, some people with high achievement motivation come forward to behave in an entrepreneurial way to change the stationary inertia, as they would not be satisfied with the present status that they have in the society. Under the conditions of paucity of funds and the problem of imperfect market in underdeveloped regions, the entrepreneurs are bound to launch their enterprises on a small-scale. As imitation requires lesser funds than innovation, it is realized that such regions should have more imitative entrepreneurs. And, it is also felt that imitation of innovations introduced in developed regions on a massive scale can bring about rapid economic development in underdeveloped regions also. But, it does not mean that such imitation requires in any way lesser ability on the part of entrepreneurs.

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### **3.2 Notion of Economic Development**

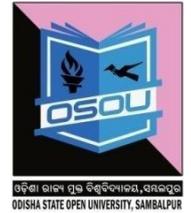
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Economic development is the progress in an economy, or the qualitative measure of this. It usually refers to the adoption of new technologies, transition from agriculture-based to the industry-based economy, and general improvement in living standards. Economic growth represents an increase in jobs and income in the community. it refers to the expansion of total economic activity in the community. While economic development can involve job and income growth, it also involves sustainable increases in the productivity of individuals, businesses in enhancing the quality of life. Economic growth is generally a short run concept while economic development is a long time commitment. Economic development is a process which involves various policies by which a nation improves the economic, political, and social well being of its people. Economic growth deals with increase in the level of output, but economic development is related to increase in output coupled with improvement in social , political welfare of people within a country. Therefore, economic development encompasses both growth and welfare value dimensions. In the ultimate analysis economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socio-economic structure of the country.

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### 3.3 Role of Entrepreneurs

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#### Role of Entrepreneurship in Economic Development

The important role that entrepreneurship plays in the economic development of an economy can now be put in a more systematic and orderly manner as follows:

- Entrepreneurship promotes capital formation by mobilising the idle saving of the public.
- It provides immediate large-scale employment. Thus, it helps reduce the unemployment problem in the country, i.e., the root of all socio-economic problems.
- It promotes balanced regional development.
- It helps reduce the concentration of economic power.
- It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
- It encourages effective resource mobilisation of capital and skill which might otherwise remain unutilized and idle.
- It also induces backward and forward linkages which stimulate the process of economic development in the country.
- Last but no means the least, it also promotes country's export trade i.e., an important ingredient to economic development.

Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as “an economy is the effect for which entrepreneurship is the cause”

In the history of economic theory Herbert and Link identified 11 roles for the entrepreneur as follows :

- the person who undertakes risk associated with uncertainty;
- the person who supplies the financial capital;
- innovator;
- decision maker;
- industrial leader;
- manager;
- organiser of economic resources;
- business owner;
- contractor;
- referee;
- locator of resources



ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର  
ODISHA STATE OPEN UNIVERSITY, SAMBALPUR

### **Role of Entrepreneurship in Economic Development**

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## **3.4 Entrepreneurship: The heart of economic growth**

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Many young fearless entrepreneurs have set the path for a wave of entrepreneurship in the country and this entrepreneurial spirit has resulted in not just innovation but also in entrepreneurship being recognized as the driving force of the market. Innovation is crucial for a thriving economy and especially in today's increasingly competitive world. In India, entrepreneurship is accelerating innovation in areas like Education, IT, Health Care etc and generating solutions to many such problem areas. India has witnessed several innovative ideas and businesses driven by start-ups thus leading to entrepreneurship emerging as a valuable input to the economic growth of the country.

Economic development of a country is supported by entrepreneurship in several ways. It is a key contributor to innovativeness and product improvement and a pivotal ingredient to employment creation. Another important aspect to be considered is that in the context of the Indian market, entrepreneurship led economic growth is more inclusive and hence Governments, both at Centre and State level, have been taking initiatives to boost the entrepreneurial ecosystem as they realise the benefits entrepreneurship brings to the economic growth of the country.

Economic slowdown is one of the reasons that has led to a downturn in employment opportunities in the country. Unemployment amongst the youth is on the rise and in this regard entrepreneurship is playing a key role in creating jobs. An entrepreneur is not just creating self employment but also building a structure for small to large scale employment. As these enterprises grow, the employment opportunities increase. In India, many start-ups that started out as home based ventures are today employers to hundreds of individuals. A company/entrepreneur with an innovative-idea has the power to build employment and in turn stimulate the economy.

Besides employment, another area that is witnessing development by virtue of entrepreneurship is modernisation in the regional areas or Tier II cities in the country. Due to financial constraints and competition in the metro cities, entrepreneurs are setting up industries in Tier II cities. Some State Governments like Kerala, Maharashtra, Tamil Nadu are offering schemes/incentives for setting up of SME's in Tier II and III cities. The growth of businesses in these smaller towns is leading to several public benefits in the area like better transportation, health facilities,

education etc thus promoting a balanced development in the country. This is also leading to more and more entrepreneurs setting up base in their hometowns due to lower costs and affordable talent driving investor attention and incubation centres to these cities too.

This brings to us to another crucial element of standard of living. To ensure people can afford good quality goods at reasonable prices and avail quality services is a crucial feature of a developing economy. Today, entrepreneurial driven economy is the answer to this need as it drives innovation in manufacturing of goods and services leading to availability of goods at lower costs making them more affordable. Entrepreneurs explore opportunities, make effective utilisation of resources and create new goods and services. These are for consumption within the country and hence will lead to growth in the national income and invariably reduce our import dependency making the economy stronger.

Entrepreneurs are no doubt catalysts of change and innovation. Entrepreneurship stems from the need of fulfilling a gap that exists in the market and this sets the entire process of development in motion. The entrepreneurial growth in our country has triggered a host of economic benefits, together with new businesses, new jobs and new products and services. The Government now also needs to play their part in encouraging this development and provide opportunities for not just education directed towards building entrepreneurial skills but also passing favourable plans/policies to strengthen the entrepreneurial ecosystem in the country.

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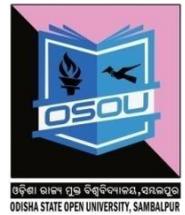
### 3.5 Entrepreneurs and Society

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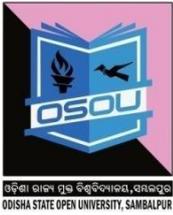
Entrepreneurs have much to give to society. Their contribution to the welfare of society is of high order. A business person apart from making money for him or herself also helps the society in many ways financially and socially. Financially, of course the respective organization benefits by the business carried out by entrepreneurs. At the same time many of the welfare activities of the businessman improve the living conditions of the people of that particular society.

#### **How does an entrepreneur help the society?**

**Donations** – A business person donates a lot of money for charity purposes. From his or her earnings, he or she would like to help the downtrodden and try to improve their living conditions.



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**Charitable institutions** – A businessman or woman sets up various educational, medical and vocational training institutions to provide the less privileged with benefits which they normally cannot afford. The fees may be less or waived in the case of a meritorious student. Hospitals are also run by these charitable institutions.

**Sponsorship** – Many business people sponsor a candidate for higher education or fund a child in an orphanage. In fact, many orphanages are backed by these business people. Scholarships are provided to a poor student for him or her to avail of better educational opportunities.

**Welfare programs** – A businessman or woman financially contributes to various welfare programs, like helping the blind, orphans, widow etc. In times of crisis, they help by donating items such as blankets, clothes, medicines etc.

**Advisors to respective government** – Many successful business people participate in government activities in order to promote the well-being of the citizens. The government often seeks their advice on certain social and economic activities.

Business is essential for the progress of a nation. A successful businessman or woman is an asset to the society. He or she can contribute to the wellbeing of a society in several ways that improve the living conditions of the people.

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### 3.6 Entrepreneurial contributions in India

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Entrepreneurship as a whole contributes to social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs and net increases in real productivity. The jobs created through their activities in turn lead to equitable distribution of income which culminates in higher standards of living for the populace. In this way, the resources available to the government will likewise increase and hence enable it to offer social services like hospitals and schools, develop the infrastructure and keep law and order.

With this in mind, it would be thus prudent to see how we can promote entrepreneurship among the populace so as to tap into the benefits that will accrue from this approach. The Government of India's initiative is a step in this direction as it seeks to promote entrepreneurship as an alternative to formal employment. An important aspect that comes out is how the culture of entrepreneurship can be promoted; the fact that university students are the movers of the projects enables them to understand the tenets of entrepreneurship, inculcates the spirit of (social) entrepreneurship in them and imbues in them the option of becoming entrepreneurs and not going into formal employment.

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### 3.7 Summary

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Economic development encompasses both growth and welfare value dimensions in the society. In the ultimate analysis economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socio-economic structure of the country. Entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as “an economy is the effect for which entrepreneurship is the cause”

Economic development of a country is supported by entrepreneurship in several ways. It is a key contributor to innovativeness and product improvement and a pivotal ingredient to employment creation. Another important aspect to be considered is that in the context of the Indian market, entrepreneurship led economic growth is more inclusive and hence Governments, both at Centre and State level, have been taking initiatives to boost the entrepreneurial ecosystem as they realise the benefits entrepreneurship brings to the economic growth of the country.

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### 3.6 Key Terms

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**Role-** It refers to the identifiable activities played by the entrepreneurs.

**Entrepreneurship-** It refers to the entrepreneurial activities with reference to an organisation.

**Economic development-** It refers to the long term wealth creation perspectives in an economy.

**Social contribution-** It refers to the ultimate offerings made by the entrepreneurs to the society.

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### 3.7 Self-Assessment Questions

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Explain the evolution of entrepreneurship in India in brief.

Ans: \_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_



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### 3.9 Model Questions

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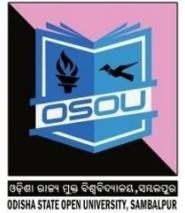
1. Highlight the role of entrepreneurs in Indian society.
2. Describe how an entrepreneur can generate wealth as per economic development dimensions are concerned.

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### 3.5 Benefits of being an Entrepreneur

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- First of all, being an entrepreneur you learn basic skills like – time management, creativity enhancement, passion, strategy planning, etc.
- It certainly helps developing strong technology skills or expertise in a key area.
- You develop the ability to keep going in the face of hardship.
- By studying Entrepreneurship and Innovation in college you can understand and adapt change, because change is at the very core of Entrepreneurship.
- You develop the ability to think and then do big.
- Do what you enjoy.



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