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Serbian Journal of Management 3 (2) (2008) 171 - 187

Serbian Journal of Management

SMALL SCALE ENTREPRENEURSHIP IN INDIA

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(Received 12 November 2007; accepted 16 May 2008)

Abstract

In a developing country like India, Small Scale Entrepreneurship plays a significant role in economic development of the country. These industries, by and large represent a stage in economic transition from traditional to modern technology after globalization. The variation in transitional nature of this process is reflected in the diversity of these industries. Most of the small scale industries use simple skills and machinery. Besides playing economic role in the country, small scale industries, because of their unique economic and organizational characteristics, also play social and political role in local employment creation, balanced resource utilization, income generation and in helping to promote change in a gradual and peaceful manner.

The study of entrepreneurship is essential not only to solve the problem of industrial development but also to solve the problems of unemployment, unbalanced areas development, concentration of economic power and diversion of profits from traditional avenues of investment. In this backdrop, the present study attempts to get insights to review, in brief, the evolution of the concept of entrepreneurship, the definition of small scale enterprises and also to study the small scale entrepreneurship in India.

Keywords: Entrepreneurship, Entrepreneur, Small Scale Industry, India, Economic Power, and Development

1.INTRODUCTION

Entrepreneurship in India plays a catalytic and important role in the economic development. It has emerged as a dynamic and vibrant sector of the economy. It is a well recognized fact that a vibrant entrepreneurship holds the key to economic prosperity in an economy characterized by abundant labour supply, unemployment and

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underemployment, capital scarcity, growing modern large industrial sector giving scope for ancillarisation and so on. Entrepreneurship has grown phenomenally during the past five decades besides playing a vital role in the fulfilling of our socio-economic objectives.

Entrepreneurship has developed in a systematic way since the beginning of Industrial Revolution in Europe. The development of entrepreneurship is essential for rapid economic development and has engaged the attention of economists, sociologists, and psychologists to study the phenomenon in the developed and developing countries in recent years. Consequently, the phenomenon of entrepreneurship has been viewed from these three dimensions. The research studies in the field of entrepreneurship by an individual, or a group have contributed largely to the formation of various theoretical framework for analyzing entrepreneurial behaviour, however, these studies have been influenced by the particular discipline to which the individual or the group belongs. There has not been any monolithic approach towards theory-building in the field of entrepreneurial development. Various scholars have highlighted multiple approaches to the study of entrepreneurial behaviour and entrepreneurship. A scholar of economics tends to emphasize the economic aspects of entrepreneurship, a sociologist analyses in terms of socio-cultural environment, values and family tradition, whereas a psychologist highlights personality factor of entrepreneurship. No single factor therefore works as the only determining variable for the phenomenon of entrepreneurship. However, the theoreticians have made and have been making some efforts to bring out some single factor as the dominant one to analyse entrepreneurship.

In the light of above, the present study attempts to get insights to review, in brief, the evolution of the concept of entrepreneurship, the definition of small scale enterprise and also to study development of the small scale entrepreneurship in India. The study is based on the secondary data made available by the offices –Director of Industries and District Industries Centres, various publications of Government of India such as Census of Small Scale Industries, Economic Survey, Report on Small Enterprises (Abid Hussain Committee) and Bulletins of Reserve Bank of India.

2. EVOLUTION OF THE CONCEPT OF ENTREPRENEURSHIP

The concept of “entrepreneur” and the “entrepreneurship” have gone through various stages before they came to signify the content being put into them now. Various thinkers have defined the term in a variety of ways. In order to understand the phenomenon of entrepreneurship as whole, it is worthwhile to analyse these definitions and views independently.

The word “entrepreneur” is derived from the French verb “entreprendre”, means “to undertake”. The word entrepreneur has been in use since the sixteenth century. Kilby has linked the entrepreneur with a rather large and very important animal called “Heffalump” hunted by many individuals and have variously described him, but wide disagreements still exist among them on his particularities (Peter Kilbly, 1971). The French men who organized and led military expeditions were referred to as “entrepreneurs” (Peterson, 1962).

Around 1700 A.D., the term was used for architects and contractors of public works. Quesnay regarded the rich farmer as an "entrepreneur" who manages and makes his business profitable by his intelligence, skill and wealth (Desai, 1991).

In the 18th century, the old Oxford Dictionary of 1897 defined entrepreneur simply as "the director or manager of public musical institution, i.e., one who 'gets up' entertainments, especially musical performance" (Tandon, 1975). The dictionary in its supplement of 1933 modified its definition and recognized that the word has a place in business; it defines entrepreneur as one who undertakes an enterprise (Tandon, 1975), especially a contractor acting as an intermediary between capital and labour. Undertaking an enterprise is entrepreneurship, and one who undertakes it is one who combines capital and labour for the purpose of production is an entrepreneur.

The concept of entrepreneur has many facets and the term has been used in a different context with a different perspective. Economists have recognized the entrepreneur as essential agent in generating investment opportunities. Sociologists analyse him as sensitive energizer in modernization of societies. The psychologists examine him as an "entrepreneurial man", his motivations and aspirations in order to decipher his character which is conducive to economic development. Political scientists regard him as the fair child of political system which provides effective assistance for his emergence (Shravanvel, 1987).

In economic theories, the concept of entrepreneur has been coined in terms of functions. Richard Cantillon, an Irishman living in France, was the first person to introduce the term 'entrepreneur', in the early 18th Century. He defined entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future (Kilbly, 1971). Cantillon emphasized the function of 'risk-taking' and 'uncertainly bearing'. He illustrates the concept by giving examples of farmers, manufacturers and traders. The risk and uncertainty is inherent in these activities. Since Cantillon has stressed one aspect of the concept, he could not enjoy economic popularity for a long time.

Frank H. Knight defined the entrepreneur, more or less, similar to those of Cantillon. Uncertainty is defined as a risk which cannot be insured against and is incalculable. According to him, entrepreneur is an economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured, or capitalized or salaried. He also guarantees certain sums to other means in return for assignments made to them. According to him, the supply of entrepreneurship involves three factors: ability, willingness, and power to extend such guarantee (Frank, 1957).

Jean Baptiste Say, an aristocratic industrialist, and a French economist, developed the concept of entrepreneur a little further. He emphasized the functions of co-ordination, organization and supervision. In more simple words, an entrepreneur is one, who combines the land of the one, labour of another, and the capital of yet another and thus, produces a product. By selling the produce in the market he/she pays interest on capital, rent on land, wages to labours and what remains is his/her profit (Say, 1915). According to J.B. Say, the entrepreneur is an organizer and speculator of a business enterprise, who combines economic resources out of an area of lower into an area of higher productivity and greater yield. He has clearly distinguished between the role of a capitalist as a financier and of an entrepreneur as an organizer of a business activity.

Say, Mill (1975) and Marshall (1961) emphasized the role of entrepreneur as an organizer and recognized the entrepreneur as the central figure in a business enterprise, however according to the critics, they failed to see full significance of the role of an entrepreneur of which combining factors of production is only one aspect.

The concept of entrepreneur propagated by all the above thinkers was in the context of static conditions, and was not related to the process of economic development.

Joseph Alois Schumpeter, for the first time, in 1934, assigned a crucial role of 'innovation' to the entrepreneur in his 'magnum opuses, the theory of 'economic development' (1934). Schumpeter considered economic development as discrete dynamic change. Such discontinuous dynamic changes are brought about by entrepreneur by instituting new combinations of the factors of production, i.e., 'innovation' (Schumpeter, 1939).

Innovation may take place in the following forms:

- The introduction of a new product in the market.
- The instituting of a new production technology which is not yet tested by experience in the branch of manufacturing concerned.
- The opening of new market into which the specific product has not been previously introduced.
- The discovery of a new source of supply of raw material.
- The carrying out of the new form of organization of any industry like the creation of monopoly position or the breaking up of it (Bisht, 1989).

Schumpeter further distinguished between invention and innovation. An inventor discover a new method and new materials, and an innovator utilizes inventions and discoveries in order to make new combinations and thus produces newer and better goods which yield him profit and satisfaction. The inventor produces ideas and the entrepreneur implements them. He considered innovation as creative response to a situation.

Schumpeter's concept of 'entrepreneur' is very wide, in the sense, he includes not only independent businessmen but also to some extent, dependent employees of a firm like managers, directors and so on, provided they do innovative work. On the other side, the definition is narrow, because it does not include industrialists and employees who operate an established concern. According to him no one is permanently an entrepreneur so long as he gives creative and innovative response to market situation. He, while emphasizing the innovative function of an entrepreneur, ignored his risk-bearing function which is equally important.

Schumpeter wrote his theory of economic development in the context of Industrial Revolution of presently advanced countries where some of the pre-requisites of growth already existed. Inevitably, his theoretical explanation corresponds to a particular social and economic order that existed there during that specific period. Innovation was concentrated in a few fields in which big entrepreneurs rose as the spearheads of growth. Big innovations yielded a surplus for reinvestment and in this way the entrepreneur could invade the various economic fields with spectacular success

(Pritam, 1966).

The applicability of the Schumpeterian 'innovative' concept of entrepreneur to underdeveloped economies is conditioned on the above grounds. Things are likely to be different in underdeveloped or developing countries. In such situations, entrepreneurs have to face numerous problems like imperfect market; shortages of capital, of skilled labour and of technical know how. Against these odds they are required to develop their industries. Naturally they cannot reach the scale of operation visualized by Schumpeter. But it does not prove that entrepreneur in underdeveloped or developing countries requires any less ability and ingenuity. The business leader in underdeveloped countries can also be called an entrepreneur.

Peter Drucker defines an 'entrepreneur' as one who always searches for change, responds to it, and exploits it as an opportunity, entrepreneurs innovate. Drucker has aptly observed that 'innovation' is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practised. Entrepreneurs need to search purposefully for the source of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principle of successful innovation (Desai, 1991).

According to Drucker, three conditions have to be fulfilled:

1. Innovation is a work. It requires knowledge. It often requires great ingenuity. It makes great demands on diligence, persistence and commitment.
2. To succeed, innovation must build on its own strength.
3. Innovation has to be close to the market, focused on the market, indeed market-driven.

According to Francis A. Walker, the true entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various other factors of production. He should be a pioneer and captain of an industry. The supply of such entrepreneurship is however quite limited and enterprise in general consists of several grades of organizational skill and capability. The more efficient entrepreneurs receive a surplus reward over and above the managerial wages and this sum constitutes trade profit ascribed to superior talent (Shravanvel, 1987).

The above definitions specified by different thinkers, stress only selected aspects of entrepreneurship. In modern times, an attempt is made to generate a comprehensive definition which tries to highlight all facets and aspects of entrepreneurial activity. These multidimensional aspects may be stated as follows to frame synthesized concept of entrepreneur. In an enterprise, land, labour and capital are separately owned respectively by landowners, labours and financiers and are divorced from one another. An entrepreneur is an organizer, his organizing ability brings them together in proper proportions at reasonable rates and harnesses them to work in production, attempts to produce a socially valuable product, so as to yield the best returns. As an organizer, he also guarantees the specific sums to the landowners, labours and financiers in return for assignments made to them. An entrepreneur bears the risk which is inherent in any business activity. An entrepreneur starts the enterprise, organizes it, supervises it and engineers long-run plan of the enterprise. He is a specially motivated and talented person, who implements new ideas, visualizes opportunities for introducing new products, techniques, and production process, new form of organization, discovers new market and new source of supply of raw materials. That is how, he innovates, and in this way he takes upon himself the entire responsibility of the enterprise.

According to B.C.Tandon (1975), entrepreneurship means the composite function of creating something new, organizing and co-ordinating and undertaking risk and handling economic uncertainty. In this context, an entrepreneur is the person who tries to create something new, organizes production and undertakes risk and handles economic uncertainty involved in enterprise.

In the same context, the definition of Higgins seems to be worth quoting, "Entrepreneurship" is meant the function of seeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging for a supply of raw materials and finding site, and combining these factors of production into a going concern; introducing new techniques and commodities, discovering new sources of natural resources; and selecting top managers for day-to-day operations of the enterprise (Higgins, 1961).

According to William Diamond, "Entrepreneurship is equivalent to 'enterprise' which 'involves the willingness to assume risks in undertaking an economic activity, particularly a new one. It may involve an innovation but not necessarily so. It always involves risk-taking, decision-making, although neither risk nor decision making may be of great significance (1957).

Entrepreneurship refers to a process of action; an entrepreneur (person) undertakes to establish the enterprise. The term 'entrepreneur' has been defined as one who detects and evaluates a new situation in his environment and directs the making of such adjustments in the economic systems as he deems necessary. He conceives of an industrial enterprise for the purpose of, displays considerable initiative, goal and determination in bringing his project to fruition, and in this process, performs one or more of the following:

- Perceives opportunities for profitable investments;
- Explores the prospects of starting such a manufacturing enterprise;
- Obtains necessary industrial licences;
- Arranges initial capital;
- Provides personal guarantees to the financial institutions;
- Promises to meet the shortfalls in the capital; and
- Supplied technical know-how (Danhof, 1949).

The entrepreneurs' role is to furnish technical skills, commercial knowledge and powers of administration, to assume responsibilities and provide against contingencies, to share and direct production and organize and control the industrial machine (Walker, 1986). Entrepreneurs are people who have the ability to see and evaluate business opportunities to gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success (Meredith, Nelson and Neck, 1982).

Psychological stress is a natural concomitance of any creative activity. It is much more so if the activity relates to an intensely competitive area like business. Entrepreneurs, being creative individuals, often experience such stress at various stages of development of their enterprises (Pareek and Rao, 1995).

Marbinson's entrepreneur is not an innovator but an organization builder who must be able to harness the new ideas of different innovators to the rest of the organization (Frederick, 1956).

In modern context, the term 'entrepreneur' has been used in a broader perspective. According to Vasant Desai (2004), the entrepreneur brings in overall change through innovation for the maximum social good. Further, India which itself is an underdeveloped country aims at decentralized industrial structure to mitigate the regional imbalances in levels of economic development, small scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development (Khanka, 1994) .

Lastly, the establishment of Entrepreneurship Development Institute, various developmental policies and alike by the Indian Government during the last five decades bear a good testimony to her strong realization about the premium role of entrepreneurship played in economic development.

3. SMALL SCALE ENTERPRISE

To appreciate small scale entrepreneurship in India, a basic understanding of the definition and scope of the terminology "small enterprise" is very necessary. The definition of a small enterprise varies across countries, industries, agencies and authors. The terminology "small enterprise" itself is used by different countries by different nomenclatures such as small business, small firm and small industries and so on. Throughout this study the terms small enterprise, small firm and small business are used interchangeably. Vepa (1988) has listed the various terminologies used in some countries (see Table 1).

Atkins and Lowe (1997) noted that as many as 40 different definitions of small firms have been reported in the literature, and generally there appears to be very little consistency in criteria used to define small

Table 1. Terminologies and scope of Small Industry in select countries

S.No	Country	Terminology	Scope
1	Japan	Small enterprise	Manufacturing, mining, services, trading (wholesale and retail)
2	India	Small Industry / Small enterprise	Manufacturing, repair and servicing.
3	Korea	Small enterprise	Manufacturing, mines, construction, commerce.
4	USA/Canada	Small Business	Manufacturing, services, trading(Limited)
5	UK	Small Firms	Manufacturing, Commerce (both retail and wholesale) construction, mining, transport.
6	Indonesia	Small Industry	Manufacturing, servicing.

enterprises. The criteria are many, such as number of employees, annual sales revenue, value of fixed assets/plant and machinery and the management structure.

In India, the small industry is defined in terms of investment ceiling. Also the small industry sector enjoys a special reservation policy in terms of items of manufacture. The investment limit ceiling was revised by the central government from time to time, depending on the industrial and economic development and needs of entrepreneurs. The evolution of investment limits of small industries in India is shown in Table 2.

Table 2. Evolution of Investment Limit for Small Industries in India

Year	Investment	Additional Condition
1950	Up to Rs. 0.5 million in fixed assets	Less than 50 employees with power or 100 employees without power.
1960	Up to Rs. 0.5 million in fixed assets	No condition
1966	Up to Rs. 0.75million in plant & machinery	No condition
1975	Up to Rs. 1million in plant & machinery	No condition
1980	Up to Rs. 2million in plant & machinery	No condition
1985	Up to Rs. 3.5 million in plant & machinery	No condition
1991	Up to Rs. 6 million in plant & machinery	No condition
1997	Up to Rs. 30 million in plant & machinery	No condition
1999	Up to Rs. 10 million in plant & machinery	No condition

Initially, there was an additional condition limiting number of persons employed, the same was deleted in 1960. Further, the investment ceiling was linked to plant and machinery only, excluding investment in other fixed assets i.e., land and building. The reason was to define small industry with respect to such investments mainly in productive assets.

The investment limit was raised to Rs. 30 million based on the recommendations of the Report of the Expert Committee on Small Enterprises, with Dr. Abid Hossain as Chairman. The report, submitted to the Central Government in July 1997, recommended that the definition of small scale industries be broadened to small scale enterprises and allowing incentives, credit facilities, and promotional facilities to flow to all small enterprises. On line with this, it was recommended that the investment limit of small scale enterprise be raised to Rs. 30 million. But later, it was felt that this raise in investment limit up to Rs. 30 million did not truly result in accelerated investments in small enterprises. Large majority of small enterprises still belong to the lower investments up to Rs. 1 million. There was also an apprehension that with the increased investment limit up to Rs. 30 million, some of the medium scale may roll back to small scale thus bringing in unhealthy competition. Therefore, the investment ceiling was, for the first time in 1999, reduced from Rs. 30 million to Rs. 10 million.

It was in 1977, the Central Government

introduced a new category namely “Tiny Sector Industries” with the small scale industry category, particularly to provide promotional measures and incentives to such of the small industries having much lower investment limits. The present investment limit for tiny sector industries is Rs. 2.5 million in plant and machinery. For the purpose of this study, the tiny sector is also considered as part of small enterprises.

In United States, the Small Business Administration, established in 1953, provided financial, technical and management assistance to help Americans to start, run and grow their businesses. The size standards of Small Business Administration define whether a business entity is small, and thus eligible for government assistance reserved for small business concerns. Small Business Administration establishes size standards considering economic characteristics, comprising the structure of industry, including degree of competition, average firm size, start-up costs and entry barrier and distribution of firm by size. It also considers technological change, competition from other industries, growth trends, and historical activity within an industry. As reported in homepage of Small Business Administration, America’s 25 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation’s gross domestic product, and are the principal source of new jobs in the US economy.

Bolton Committee Report in UK indicates that a small firm is defined by the number of persons employed, (less than 200 for manufacturing, less than 25 for construction and less than 5 vehicles for transport) and by turnover for retail trade (less than turnover £50,000) and wholesale trade (less than turnover of £200,000).

According to European Union (Blackburn, 2001) approach the businesses are classified as micro firms (less than 10 people); small firms (10–49 employees); and medium–sized firms (50–249 employees). Frequently, researchers combine small and medium firms into a single category i.e., small and medium-size enterprises. Those with 250 or more employees are classified as the large firms.

Besides the statistical definition of small enterprises in different countries, Atkins and Lowe argue that the structure and decision making process of an organization should be the primary indicator of a small firm. They explain that statistical definition of smallness such as number of employees or annual receipts may omit significant dimensions of small firms. They refer to the involvement of the business owners in the strategic planning, forecasting, and performance comparison of small firms. Further, Resnik (1988) argues that one of the defining criteria of small firms is the involvement of the owner-manager in setting the business priorities, objectives, and standards. This argument suggests that a firm may be classified as small, based upon the role of the owner-managers and the extent to which their direct participation in the management of the business.

Alternatively, the small enterprises can be defined using qualitative approach. Bolton Committee Report in UK provided one of the best-known approaches. This was in the form of an ideal type combining three elements.

First, in economic terms, a small firm is one that has a relatively small share of market. Secondly, an essential characteristic of a small firm is that its owners or part-owners manage it in a personalized way, and not through the medium of formalized management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise and that the owner-managers should be free from outside control in taking their principal decisions (Thomson, 2000)

Haksever (1996) notes that "in case of small firms, the management is independent; usually the owner is one of the managers and reports to no one". The summary of Haksever incorporates the guidelines established by the US Small Business Administration, (Guide to SBA: Definitions of Small Business, 1996) and arguments of Atkins and Lowe. Haksever defines a small business as one with fewer than 500 employees and exemplifying the following characteristics:

1. Management is independent; usually the manager is also owner.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operations is mainly local; workers and owners tend to be in one home community, although markets need not be.
4. The business is small, compared to the biggest units in the field.

Nolan used the above definition in his doctoral research on small business performance. In Indian context, Chachadi (1988) also adopted similar definition in his doctoral research work on 'Decision Making in Small Industry', as it incorporates managerial aspects like ownership and control. The definition of Government of India only refers to ceiling on investment in plant and machinery, which relates to economic aspects, because financial and capital resources of small enterprises are not so abundant, as in developed countries. The definition of Haksever has added significance to the present study, as it does not ignore local area of operation and local owners and employees.

In an attempt to formulate qualitative definitions of small firms, a key assumption made, was that small firms were fundamentally different from large firms. In one of the classics of small business theorizing (Penrose, 1959) this assumption was summed up in the analogy that small and large firms were fundamentally different from each other as caterpillars are from butterflies. It was noted that even if one metamorphosis into other, it would not be simply larger version of the other, and in case of small firms, the chance of metamorphosis is also not certain. Many small firms may never grow beyond a small size, as most of the 'caterpillars' may never become butterflies (Blackburn, 2001).

Regarding size, Burrows and Curran (1989) argue as " Size, whether measured in terms of number of employees, turnover, market share whatever, is not sufficiently robust criterion to allow ' small firms ' to be isolated and analyzed as having an economic and social specificity ". These authors continue their arguments that smallness per se is not technically a necessary characteristic of an organization but a contingent one. Smallness has the same status as other characteristics such as legal form of organization, type of economic activity engaged, the technology employed, region or local economy, the age, gender, ethnicity and educational level of the owners or workers of the firm etc.

Phansalkar (1996), a consultant to small industries in India, argues that there is no firm, indisputable and yet defensible criterion for delimiting terms such as small or large industry. What in India considered being a giant, say automobile manufacturing companies, may be possibly small in the eyes of a global player in auto industry. He further states that, in Indian situation, basis of categorization on sales turnover, or investment in fixed assets could also pose problems, because there are instances of one-man-show in an oil mill, where the sales turnover could be over Rs.1500 lakhs (150 Million). Small enterprises may employ a few people, and the management levels may be of simple structure. On the other hand, small enterprises having low capital investment, according to the statistical definition, could be involved in complex business. In his opinion, the only possible and defensible ground for categorization of small, medium and large industry in Indian context is by differentiating their management problems. This means that amount of complexity involved in management of enterprises becomes a key parameter for differentiating enterprises as small or large. Parameters such as sales turnover, investment in fixed assets, or number of employees are simply surrogates for complexity. Therefore, the paradox that by definition, the small enterprises management ought to be simpler, but seldom it is based on the above arguments on defining the small enterprises, it would be unrealistic to demand uniformity of approach in small business research. While the European Union definition of micro and small firms is widely used, many researchers used the combination of definitions framed by Small Business Administration (SBA office of Advocacy, 1997), Atkins and Lowe (1997) and Hoksever (1996).

4. OVERVIEW OF SMALL SCALE ENTREPRENEURSHIP IN INDIA

Entrepreneurship is regarded as one closely associated with economic history of India. The evolution of the Indian entrepreneurship can be traced back to even as early as Rigveda, when metal handicrafts existed in the society (Rao, 1969). This would bring the point home that handicrafts entrepreneurship in India was as old as the human civilization itself and was nurtured by the craftsmen as a part of their duty towards the society. Before India came into contact with the west, people were organized in a particular type of economic and social system of the village community. The Indian towns were mostly religious and the elaborated caste based diversion of workers consisted of farmers, artisans and religious priests (the Brahmins). The majority of the artisans were treated as village servants. Such compact system of village community, effectively protecting village artisans from the onslaughts of external competition, was one of the important contributing factors to the absence of localization of industry in ancient India (Deshpande, 1984) . Organized industrial activity was observable among the Indian artisans in a few recognizable products in the cities of Banaras, Allahabad, Gaya, Puri and Mirzapur which were established on their river basins as a means of transportation facilities. Bengal enjoyed worldwide celebrity for corah, Lucknow for chintzes, Ahmedabad for dupattas and dhotis, Nagpur for silk-bordered clothes, Kashmir for shawls and Banaras for metal wares. Thus till the earlier years of the eighteenth century, India enjoyed the prestigious status of the queen of the International trade with the help of its handicrafts.

Unfortunately, so much prestigious Indian handicrafts industry, which was basically a cottage and small sector, declined at the end of the eighteenth century for various reasons like disappearance of the Indian Royal courts and entry of British people with the competition of machine-made goods (Gadgil, 1959). The emergence of manufacturing entrepreneurship can be noticed in the second half of the nineteenth century. Ranchodlal chotalal, a Nagar Brahman, was the first Indian to think of setting up the textile manufacturing on the modern factory lines in 1847, but failed. In his second attempt, he succeeded in setting up a textile mill in 1861 in Ahmedabad (Spodak, 1965). But before this, the first cotton textile–manufacturing unit was already set up by a Parsi, Cowasjee Nanabhoy Davar in Bombay in 1854 followed by Nawrosjee Wadia, who opened his textile mill in Bombay in 1880. Probably the major Indian contribution in the Nineteenth century came in the field of banking, where every important company owned its existence, in part, to the enterprise and capital of Indians (Rungta, 1970). A few beginnings were made by Indians in heavy industries–steel, engineering, electric power and shipping (Lamb, 1955) in the early part of the twentieth country. The most spectacular of these ventures was by Jamshedjee Tata, a Parsi, who was responsible for India's first viable steel enterprise in Jamshedpur in 1911. The Swadeshi Campaign i.e., emphasis on indigenous goods, provided, indeed a proper seed bed for inculcating and developing nationalism in the country. It was the influence of Swadeshi that Jamshedji Tata even named his first mill as "Swadeshi Mill". The spirit of indigenousness strengthened its roots so much in the country that the Krishna Mills in its advertisement of Tribune of April 13 made the following appeal "Our concern is financed by native capital and is under native management throughout (Joshi and Ram, 1975). The second wave of entrepreneurship growth in India began after the First World War. The government gave mild protection and some encouragement to the select forms of enterprise, especially sugar and cement. By 1939, there were 11,114 companies (not all of them industrial concerns) which were mostly functioning in and around Bombay, Calcutta and Ahmedabad with a capital investment of Rs. 290 crores. In 1945, the number of companies had gone up to 14,859 and the capital investment had risen to Rs. 389 crores (Agrawala & Singh, 1979). The development that took place did not bring about either a degree of regional balance or major structural changes in the Indian economy. The entrepreneurs who contributed to this development were mostly drawn from the well known business houses and families such as Birla, Tata, Dalmia – Jain, Bangur and Thapar(Hozari, 1965). In the post 1990, the new class of entrepreneurs like Dhirubhai Ambany of Reliance, Brijmohanlal of Hero Honda, Anji Reddy of Dr.Reddy Lab, Narayana Murthy of Infosys, Azim Premji of Wipro, Ramalingaraju of Satyam Computers and many more have taken the country as one among the most preferred countries for investment in the world. There are about 2542 listed companies in the Bombay Stock Exchange. The market capitalization of the traded companies on Bombay Stock Exchange is Rs. 22, 51,012 crores (The Economic Times, 2005).

India relies mostly on the performance of agricultural and industrial sectors for their economic development. The agricultural sector has a vast employment potential but is unable to absorb the fast multiplying population. This situation calls for developing alternatives to meet the needs of ever growing population. So our planners and economists focused attention on accelerating the economic growth through rapid entrepreneurship in the present era. In fact the small scale entrepreneurship has been assigned high priority in the development of economy of the country. Entrepreneurs contributed relatively more in a society, which had free economy and provided high prestige and security to entrepreneurs than the one, which had relatively more regulated economy and provided lesser prestige and security.

When India attained Independence, the new government began to realize the need for accelerating industrial development and a general protectionist system was introduced. Consequently, the various Industrial Policies provided major guidelines for industrial development and at the same time the government started to provide various incentives and concessions in the form of capitalist, technical know – how, markets and land to the potential entrepreneurs to establish industries in the industrially potential areas to remove the regional imbalances in development. The Five Year Plans provided the necessary frame work through their specific programme for economic development of the nation. Several institutions like Small Industries Development Organization, National Small Industries Corporation, Small Industries Service Institutes at the Central Government and Directorate of Industries, Financial Corporations, Small Scale Industries Board, District Industries Centres were also established by the State Government to facilitate the new entrepreneurs in setting up their enterprises. Expectedly, the Small Scale Units emerged very rapidly in India witnessing a tremendous increase in their number from 121,619 in 1966 to 190,727 in 1970 registering an increase of 17,000 units per year during the period under reference. The family entrepreneurship units like Tatas, Birlas, Mafatlals, Dalmias, Kirloskars, Ambanies, Brijmohanlals, Narayana Murthy, Azim Premji and others grew beyond the normally expected size and also established new frontiers in business in this period. District Industries Centres at the district level functioned as nodal centres for development of small scale entrepreneurship in rural and semi urban areas. District Industries Centres operated as 'single window' agency through which all assistance needed for small scale entrepreneurship were streamlined. List of products reserved for small industries increased dramatically from 180 to 540 and later to 812. The Third Census of small scale industries reveals that the total number of small scale industries has increased from 79.6 lakhs in 1994-95 to 110.10 lakhs in 2002-03, indicating an annual average growth rate of 4.1 percent, 12.4 percent production and exports recorded a growth rate of 14.5 percent (Dutt and Sundharam, 2006). On the other hand, industrial licensing, price controls, administrative restrictions and regulations, and a highly progressive tax rate on income and wealth hampered domestic entrepreneurship. Small scale entrepreneurship also facilitated removal of regional disparity in business. The items from a paper pin to technology–based products were manufactured in the sector and the units were dispersed in districts, towns and villages all over the country. Thus there was a significant growth of small scale enterprise population, their production and employment, besides contributing to a major share of country's exports. Overall performance of small–scale industries (SSI) over the period 1994-95 to 2001-03 has been provided in the Table-3 (Ruddar Dutt and Sundharam, 2006).

Table 3. Production , Employment and Exports in Small Scale Sectors in India

Year	No.of Units (in Lakhs)		Total	Production (Rs. Crore)		Employ ment (lakhs)	Export at current Prices (Rs. Crore)
	Regis tered	Un-registered		At current prices	At 1993-94 prices		
1994-95**	19.44	6.27	25.71	298,886	266,054	146.56	296,058
1994-95	11.61	67.99	79.60	122,210	109,116	191.40	29,068
1995-96	11.57	71.27	82.84	148,290	121,649	197.93	36,470
1996-97	11.99	74.22	86.21	168,413	135,380	205.86	39,248
1997-98	12.04	77.67	89.71	189,413	147,824	213.16	44,442
1998-99	12.00	81.36	93.36	212,901	159,407	220.50	48,979
1999-00	12.32	84.83	97.15	234,255	170,709	229.10	54,200
2000-01	13.10	88.00	101.10	161,289	184,428	239.09	69,797
2001-02	13.75	91.46	105.10	282,270	195,613	249.09	71,244
2002-03	14.68	95.42	110.10	311,993	210,636	261.38	86,013
2003-04*	15.54	98.41	113.95	357,733	228,730	271.36	97,644
2004-05	16.57	102.02	118.59	418,263	251,511	282.91	1,24,417
2005-06	18.70	104.70	123.40	4,70,966	272,134	294.90	1,50,242
Average Annual Growth Rate (1994-95 to 2005-06)	**4.4**	**4.0**	**4.1**	**13.0**	**8.6**	**4.5**	**14.1**

*** These figures relate to data given by Ministry of Small Scale Industries earlier.*
Source: Ministry of Small Scale Industries as given in Economic Survey (2005-2006), p.166.

The data reveal that the total number of SSI units has increased from 79.6 lakhs in 1994-95 to 110.1 lakhs in 2002-03 indicating an annual average growth rate of 4.1 percent, but their production (at 1993-94 prices) increased from Rs.1,09,116 crores in 1994-95 to Rs.2,72,134 crores in 2005-06 i.e., an annual average growth of 8.6 percent. As a consequence of the increase in SSI units, especially more in the unregistered sector, employment increased from 191.4 lakhs in 1994-95 to 294.9 lakhs in 2005-06, recording an average growth rate of 4.5 percent annum. So, as far as exports by the SSI sector are concerned, they were increased from Rs.29,068 crores in 1994-95 to Rs.1,50,242 crores in 2005-06, recording a growth rate of 14.1 percent per annum and of employment by 4.5 percent. The share of exports from the small scale industries represents about 34.3 percent of total exports in 2005-2006. The Ministry of Small Scale Industries has taken an initiative for the introduction of Small and Medium Enterprises Development Bill in 2005 which was stabled in Lok Sabha on 12th May. Despite such positive evidence in favour of reserve items, the Union Budget (1997-98) dereserved 14 items hitherto manufactured by SSI sector. These items included ice-cream, biscuits, synthetic soups, a variety of automobile parts, corrugated paper and boards, vinegar, poultry feed, rice milling, dal milling etc., The small industry is being perceived as vital sub-sector of the economy. Small industry generates large employment, removes regional imbalance by contributing to the economic development.

5. CONCLUSION

In a country like India, only a few men with growth perspective would come forward for changing the stationary inertia and creating preconditions for development since they are motivated for higher achievements rather than financial gains. It is impossible to imagine any development process without an entrepreneurial form, not only in capitalistic economy but even under the situation of state capitalism.

The process of development can be visualized with two different types of entrepreneurial activities. The entrepreneurship can emerge either as a result of individual efforts or collective and cooperative efforts. The first type of entrepreneurship is the potent source of development. The experience of India has shown that the public or cooperative techno structures established in a backward region have initiated actively leading to the development of townships but have failed to initiate the process of development in the real terms. In such regions, since the public and cooperative techno structure has its own limitations, it is the local entrepreneurship that must get it involved in the process of development. The development would not gather momentum if much reliance is placed on the factors beyond local control. Therefore, it is absolutely necessary to break the vicious circle and initiate the process of development. To start with, among others, small – scale entrepreneurship is the most desirable dent.

МИКРОПРЕДУЗЕТНИШТВО У ИНДИЈИ

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Абстракт

У земљама у развоју, каква је индија, предузетништво мањег опсега (микропредузетништво) има значајну улогу у економском развоју земље. Ово представља важан стадијум у транзицији из традиционалног у модерну технологију током глобализације. Варијације у природи транзиције овог процеса се рефлектује у диверзификацији грана индустрије у којима се јавља микропредузетништво. Већина малих предузетничких активности се заснива на једноставним вештинама и алатима. Поред значајне економске улоге, предузетништво малог обима има и значајну социјалну и политичку улогу јер ствара могућност за локално запошљавање, балансирање ресурсима, стварање прихода и проновише транзиционе промене ма постепен и миран начин.

На предузетништву је не само да реши проблем индустријског развоја већ и проблем незапослености, неравнотежан регионалан развој, концентрацију економске моћи и увођења нових модуса инвестирања капитала. Ова студија даје унутрашњи приказ развоја концепта предузетништва мањег опсега у Индији.

Кључне речи: Предузетништво, предузетник, мањи опсег послаовања, Индија, развој

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