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### "Entrepreneurship Development on Modern India"

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#### ABSTRACT

The Entrepreneurial Development is not a recent concept that has suddenly caught the attention of the government of our nation. It has been there since the Vedic age and has continued to influence the culture and economy of our country down the ages. Today it is considered to be an important tool of development, industrialization and a solution to the perennial problem of unemployment. In the present paper an attempt has been made to study the evolution of Entrepreneurship in India and the current scenario of entrepreneurship in the development of a nation. The data used in the study are mainly from the secondary source.

#### INTRODUCTION

##### *Growth of Entrepreneurship in India in Pre- Independence era*

The genesis of Indian entrepreneurship can be found back as early as Rig Veda, where we find that metal handicraft was prevalent in the primitive society. It indicates that handicrafts entrepreneurship in India is as old as human civilization itself. During those days the people in India were organized in the form of village community. This community was diversified by the workers consisting of artisans, farmers and religious priests. The status of artisans was recognized as village servants who fulfilled their duties towards the society. In return these artisans were protected by the society from the outside competition in ancient India.

During these periods the artisans flourished because they had royal patronage. The 'Karkhanas' (workshops) were established and the craftsman formed an association which is called 'guild system'. During the 18<sup>th</sup> century products and crafts were known all over the world because of their art, durability and quality that appealed to the eyes of the individuals, like Bengal was known for Corah, Lucknow for chintzes, Ahmadabad for duppattas and Dhotis, Nagpur for Silk boarded cloths, Kashmir for shawls, Banaras for metal wares.

The Indian handicraft industry which is basically in the form of cottage industry and in small sector took a decline at the turn of the 18<sup>th</sup> century because of the following reasons:

1. Most of the royal courts that were patronizing the crafts earlier disappeared in India.
2. The attitude of the British Colonial government was biased and lukewarm.
3. Due to heavy duties imposed by the colonial government the export of these crafts to England and other countries reduced.
4. The products could not compete in price with the products of England which were cheaper in India.
5. The Indians were fond of and crazy about foreign products due to the change in habits and taste.

The actual emergence of manufacturing entrepreneurship can be noticed in the second half of the 19<sup>th</sup> century led by the Parsis. Ranchodlal Chotalal, a Nagar Brahmin was the first leader who set up the modern textile mill at Ahmadabad in 1861. The credit for the expansion of textile mills up to 1915 goes to Parsis. Out of the 96 textile mills existing in 1915, 43% (41) were set up by Parsis, 24% (23) by Hindus, 10% (10) by Muslims and 23% (22) by British citizens. Later the Parsis entered other fields, mainly iron and steel industry with Jamshedjee Tata being the first Parsi entrepreneur to establish the first steel industry in Jamshedpur in 1911. The second wave of entrepreneurial growth in India originated after the First World War. The Indian government had agreed to the 'discriminating' protection to certain industries which ensured the companies receiving its benefit to be registered in India with rupee capital and to have a portion of its directors as Indians. This enabled in establishing and extending the factory manufacturing in India in the first four decades of the 20<sup>th</sup> century. During these decades the importance of the Parsis had declined in comparison to Gujaratis and Marwari Vaishyas in the Indian entrepreneurial scene.

### **GROWTH OF ENTREPRENEURSHIP IN INDIA IN POST-INDEPENDENCE ERA**

After the independence in 1947, for the purpose of devising a scheme for achieving balanced growth the government came forward with the first Industrial Policy in 1948 which was revised from time to time. Two important measures were taken by the government, towards entrepreneurship, in her industrial resolutions:

- i. To encourage the tempo of industrialization by spreading entrepreneurship from the existing centres to other cities, towns and villages
- ii. To disseminate the entrepreneurship acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social strata.

For this purpose the government laid stress on the development of SSIs in the country. The Third Five Year Plan deserves a special mention as with it the government started to provide various incentives and concessions to the potential entrepreneurs in order to establish industries in industrially potential areas to remove the regional imbalances in terms of development.

Since the World War II the entrepreneurs have increased at a brisk pace. The small entrepreneurship continued to be dominated by business communities though at

some places new entrepreneurs too emerged. The family entrepreneurship units like the Tata, Birla etc. grew beyond the expected size.

Since liberalization acted as a catalyst for growth of entrepreneurship in India, the knowledge intensive entrepreneurship in sectors like IT and biotechnology has also increased after 1991. Figures from Ministry of Corporate Affairs show that from 1980-1991, average number of companies formed each year was 14,379, while from 1992- 2000 average number of companies formed per year was 33,835. It is believed that it was liberalization that kick started the growth of entrepreneurship in India as it presented businesses in the country with new market opportunities. It also reduced the entry barriers for new entrepreneurs by reducing the regulatory measures such as industrial licensing. However entrepreneurship could have grown much faster provided the capital market had been strengthened to support the system

Surprisingly even today the capital market is not a major source of finance for the enterprises. They rely mostly on the internal sources of fund or even debt. The increased availability of technically trained people and programmes that offered formal training in entrepreneurship also bolstered the growth of entrepreneurship.

### **GOVERNMENT INITIATIVES TO PROMOTE ENTREPRENEURSHIP IN INDIA**

It was Prof. David C. McClelland who was the person who for the first time carried out Kakinada experiment on entrepreneurship development training during the mid 1960s. He postulated that (i) the need for high achievement was an essential ingredient for the emergence of entrepreneurs and also (ii) that it could be developed. He tested his hypothesis in a number of training programs in Kakinada, Hyderabad, erstwhile Bombay in India and the city of Barcelona in Spain. The results that came indicated that it was possible to develop even the illiterate, poor, disadvantaged and people from non business communities into entrepreneurs and help them to set up and operate their own business enterprises with proper training and counseling.

There after a 3 month training program known as entrepreneurship development program (EDP) was evolved in Gujarat during the year 1969-70. It laid emphasis on (i) setting up of a small business (ii) managing it and (iii) earning profit out of it. This program was for new and selected entrepreneurs who had latent entrepreneurial potential. This program began as an experiment by the Gujarat State Industrial Corporation started gaining momentum at the national level in the early seventies. Thus there was a need to spread the program to all the districts of Gujarat which eventually led to the creation of the Centers for Entrepreneurship Development (CED) in Ahmedabad in 1979. This was the first specialized institute of its kind in the country that was exclusively devoted to the task of entrepreneurship development. Encouraged and impressed by the success of CED, All India Financial Institution, viz., Industrial Development Bank of India (IDBI), Industrial Financial Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and State Bank of India (SBI) with active support of the Government of Gujarat, sponsored a national resource organization, viz., Entrepreneurship Development Institute of India (EDI-I) in 1983. It was entrusted with the task of spreading and institutionalizing Entrepreneurial Development

activities in the country. The Government of India has set-up three national-level Entrepreneurship Development Institute in India. These are the National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad; the National Institute of Entrepreneurship and Small Business Development (NIESBUD) in NOIDA and the Indian Institute of Entrepreneurship (IIE) Guwahati. Subsequently, some of the state governments, with the support of all Indian financial institutions also took initiative in establishing state-level Institutes of Entrepreneurship Development (IEDs), like IED Lucknow, IED Bhubaneswar (Orissa), IED Patna (Bihar) or state centers such as Maharashtra ,Centre for Entrepreneurship Development, Bhopal ,Centre for Entrepreneurship Development of Karnataka, Dharwad (Karnataka) in order to take the ED activities down to grass-roots level. Further, in order to improve the success rate of the EDP trainees in the establishment of new enterprises, the Ministry has also launched a scheme, namely, Rajiv Gandhi Udyami Mitra Yojana. The main objective of this scheme is to provide handholding support to first generation entrepreneurs, through designated lead agencies i.e., ‘Udyami Mitras’. Under this scheme,’ the ‘Udyami Mitras’ would provide guidance and assistance to the potential entrepreneurs registered with them, in preparation of project report, arranging finance, selection of technology, obtaining various approvals, clearances and NOCs etc.

**CURRENT SCENARIO OF ENTREPRENEURSHIP IN INDIA**

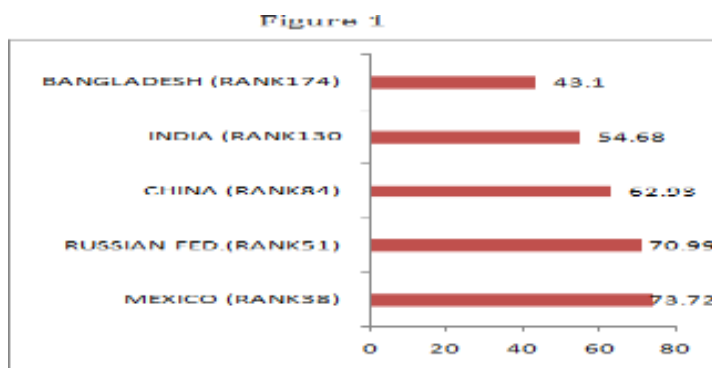
Global Entrepreneurship Monitor (GEM) ranks India ninth amongst entrepreneurial countries. It is highest amongst 28 countries in “Necessity based entrepreneurship”, while 5th from the lowest in “opportunity based entrepreneurship”. Research indicates that opportunity based entrepreneurs contribute more to overall economic growth than necessity based entrepreneurs, this is an evidence to that fact that entrepreneurship in India is still far from what it could be. Further, among medium or low income countries, while China’s nascent and new entrepreneurs appear to be the most growth oriented, with more than 10% of them anticipating high growth, the early stage entrepreneurial activity in India is marked by low levels of growth expectations. This is despite the tremendous high levels of potential entrepreneurial activity as perceived by the non- entrepreneurially active population in the country. India’s rank in Ease of Doing business is 130 (out of 189 countries) for the year 2016. It is not at all encouraging for an economy like India. It was 134 in 2015 where it has improved by four points.

<i>Topics</i>	<i>Rank in 2020</i>
Starting business	215
Dealing with construction permits	223
Getting Electricity	100
Getting credit	48

\*Source: Doing Business 2020

The above table shows the condition of key factors that are essential in promoting entrepreneurship in India

The figure below shows the position of India as compared to other nations. India is well behind even smaller nations like Mexico in terms of its ranking in Ease of doing business.



One of the key initiatives by the government of India has been “*Startup India, Standup India*” to help boost entrepreneurship. It was launched in January 2020. The main idea behind it was to boost start-up ventures as means to promote entrepreneurship and job creation in India.

**KEY HIGHLIGHTS**

1. It provides incentives such as three-year income tax exemption and concessions on capital gain tax to start-up ventures
2. Under the initiative, the GoI will create a fund worth INR 100b(US\$1.5b) to back start-ups
3. The GoI has announced the establishment of a Start up Hub, which acts as a single point of contact for interactions with the government.
4. The initiative entails the establishment of the Atal Innovation Mission for promotion of R&D including 500 tinkering labs, 35 public-private sector incubators, 31 innovation centers at national institutes, 7 research parks and 5 new bio clusters

The report “Start up Landscape 2019, shows the growth of India as one of the largest base for startups in the world

Rank	Country	No of startups
1	USA	41,500+
2	UK	3,500+
3	Israel	3,300+
4.	India	3,100+
5.	Canada	2,700+

\*Source: Nasscomm Reoprt 2019

There are many strong growth indicators for India as more than 800 startups are created every year. There has been a funding of more than US \$ 2.9 billion since 2010. There have also been identified more than 550 Angel investors in India. The growth is projected as far as 2000 new startups created each year by 2020 and the job creation from these entrepreneurs go from 65-75k as of today to 250-300k. Around 6cities is trusting 90% of the technology scene. Bengaluru and New Delhi, account for 28% and 24% of the startups in India. 73% of the founders of startups are less than 36years of age and 48% have MNC work experience. Only 13% of startup founders have no experience in the field before launching their venture. One thing that is quite disturbing is that only 6% are women founders.

## **THE FUTURE OF ENTREPRENEURSHIP IN INDIA**

Recently, India is considered to be amongst the three top investment destinations. According to a report released by Evalueserve research, over 44 U.S. based VC firms are now seeking to invest heavily in start-ups and early-stage companies in India. Reports from Price water house Coppers predict that between 2010 and 2024, 2219 multinational companies will emerge from India. Therefore with a consistently growing local market for indigenous products, supported by a reasonably efficient and transparent legal system, India could potentially emerge as one of the top 3 world economies in the world by 2020.

## **CONCLUSION**

Entrepreneurship in India is not a new concept. It has and still is an integral part of our culture. Right from the ancient times of the Rig Veda period up till now we can see the influences of entrepreneurship. It is deeply embedded in our culture and has thus been instrumental in shaping various business communities in our country. Even in the pre-independence era there were the entrepreneurs who shaped our economy even though they were in minority. The need to develop entrepreneurship to boost economy and industrialization was felt even post independence. The government could not afford to ignore the importance of entrepreneurship as it had seen its visible effect in the developed economies around the world. It could see that its entrepreneurship that distinguishes a developed economy from a developing one. The reason is that the responsibility of successfully tapping into the available resources in the country cannot lie only with its government. The citizens need to understand that positive implication of entrepreneurship on a nation. The role of the government of a nation that is promoting entrepreneurship becomes even more critical. For a nation like India where taking up a government job is the primary career objective of most of its citizens, the government has to make several strides in order to make entrepreneurship even more lucrative option. The efforts of the government to promote startups are yielding positive results as India stands 4th globally in having the maximum number of startups. This can be very encouraging but the difference between the global leader in entrepreneurship i.e. USA and India is huge. The startups are concentrated more in Bengaluru and New Delhi as the report suggests therefore the government needs to make concerted efforts in other parts of the nation as well in order to eliminate the economic disparity existing among various states of the country. These startups have even accounted for many job creations and seem to a good solution to the unemployment scene of the country. The major focus of majority of the startups has been technology which leaves greater scope for other fields. The contribution of women entrepreneurs in the startups is marginal and thus needs to be boosted in order to tap the untapped member of a large population of India. Therefore with the economy opening up to so much foreign funds it is imperative for India to promote entrepreneurship in order to stamp its authority on the global market as one of the most powerful economies

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