
Development of Entrepreneurial Class

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ABSTRACT

The paper after analyzing the historical factors on the emergence of entrepreneurial class in predominantly agrarian Europe and Britain from the social class of affluent trading community, migrant community or a class within the a society yet distinct in nature, attempts to tress the nature of development of entrepreneur class in different parts of India. By the middle of 19th century, India had a fairly developed business community. Indian entrepreneur class developed mainly from business community such as bania among Hindus, Parsis in Gujarat , Subarna Baniks in Bengal. Since Gujarat was the most urbanized in India, there were a well developed entrepreneurial class consisting of Hindu banias, Muslim business community as well as Paris. The Environmental Conditions Stable government, External security (protection from war and invasion) Internal security have influence the emergence of entrepreneurial class. Yet the analysis finds that it is capability of investment funds with these communities that enabled them to emerge as the entrepreneurial class. The paper also looks into different types of entrepreneurial classes that are existing in the modern world.

Introduction:

In many countries, the entrepreneur is often associated with a person who starts his own new and big or small business. Business encompasses manufacturing, transport, trade and all other self-employed vocations in the service sector. But not every new small business is entrepreneurial or represents entrepreneurship. The term entrepreneur was applied to business initially by the French economist in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products. Another French man expanded ideas and conceptualized the entrepreneur as an organizer of business firm central to its distributive and production functions.

The term 'entrepreneurship' has been used in various ways and various senses. Even today it is not clear

what does this term exactly mean, and who is an entrepreneur. A manager is sometimes described as an entrepreneur, sometimes an innovator or a capitalist and sometimes all of them combined into one who is called an entrepreneur. An entrepreneur has many facets and the term is used in various forms.

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It will be interesting to study about the emergence of entrepreneurial class.

Emergence of Entrepreneurial Class:

The entrepreneurial class came into being during the 17th century. During the 17th Century, a revolution took place in the different parts of Europe which started changing the basic nature of the existing economy and society. It started from Britain. The invention of the steam engine was the starting point of this revolution. Several machines and equipments were invented and which changed the production from small scale to large scale. This revolution was termed as Industrial Revolution by the economists.

Europe which had an agrarian society gradually started transforming itself into the industrial society. This change was brought about by a group of people who were coined as entrepreneurs. They were predominantly the traders and were non hesitant in taking risks, aimed at getting profit from their investment. It was this juncture that the entrepreneurial class came into origin.

Britain which was predominantly occupied by the artisans and peasants started witnessing the large scale production of goods, which was more than what could be sold in the domestic market profitably. It was because of this reason that it has to venture to different countries so as to market their product. The country found their colonies as an excellent market and they started extracting raw materials from these colonies and provided them finished goods. The local artisans and craftsman of the colonies were discouraged and several restrictions were imposed on them. Later during the 18th and 19th century, the industrial revolution had its effect in other parts of the world. The entrepreneurs in the different underdeveloped countries started their industries and due to which the basic nature of the economies started changing.

The economists and sociologists have studied the origin of entrepreneurs from two different angles which are occupational and social origins.

- **Occupational Origin**

The basic question dealt under this head is from what groups in the society the entrepreneurs emerges.

In nearly all the societies, there are many small traders or craftsman-traders (who sell their own products) and a smaller number of larger trade financier. It is to be expected that innovators in commerce would come largely from these groups. Industrial innovators in erstwhile agricultural societies seem to arise most often from trade and next most often from among craftsmen and proprietors in cottage industry. Trade is an important source of entrepreneurship but that no simple generalization concerning other occupational origins of industrial entrepreneurs is warranted.

- **Social Origin**

It is a common perception, based initially on widespread even though casual observation, that economic innovator tends to be outsiders individuals who for some reasons do not feel security at home in the society in which they live. A prominent example of the economic activity of the outsiders is the relative economic prowess of ethnic minority groups, Jews in many countries throughout the history; Chinese in South east Asia, Indians in South Africa, Individuals from middle east in many Latin American and African countries. These minority groups often work predominantly in trade and finance rather in industry. Personality factors may be particularly responsible for this choice. It is also true that commerce involves a smaller amount of capital that can be seized or destroyed if the dominant majority turns against them.

Where the innovators are native, they are also often found to come predominantly from a socially distinct group that is, a group that also differs from the rest of the population in ways other than its superior innovational behaviour. This phenomenon first existed in England during the Industrial Revolution.

Development of Entrepreneurial Class in India

The entrepreneurial activity needs an environment conducive to its growth. It involves assumption of considerable risks by the enterprise and therefore what is essential is entrepreneurial security. The environmental conditions which influence the origin of entrepreneurial class are:

- (1) Stable government
- (2) External security (protection from war and invasion)

(3) Internal security (protection from internal strife and revolution, protection of life and property under law and assurance of legal process in disputes).

Thus any analysis of the process of the industrialization needs a study of interplay of a host of such factors.

The Indian society from time immemorial has been characterized by a kind of stratification into religious and regional section. The Hindu society was conceived as komio hierarchies where caste groups were rigidly separated from each other on functional basis—a feature that perpetuates the process of following the family occupation leaving little scope for mobility between one occupation and the other. Among the **Hindu**, the **bania** was such a caste which mainly dealt in commodities and carried on money lending business. As they were specialized in trade and commerce, they were the most urbanized section of the community and because of their financial predominance enjoyed an enviable position in the urban centre, though in caste hierarchy they came third after Brahmins and Kshatriyas.

By the middle of 19th century, India had a fairly developed business community. Gadgil noted that Gujarat and Saurashtra were the most urbanized and developed tract in the whole of India, with a continuous record of foreign trade lasting over centuries. This region had a highly developed bania community both Hindu and Jain and also large Muslim trading communities.

Parsis who migrated from Persia to Gujarat in 8th century were chiefly noticed as artisans, carpenters, weavers, etc. in the 17th century. They had become prominent shipbuilders by the 18th century and had set up merchant houses in Bombay, Burma, China and London. Their overseas trade was mainly yarn and opium. They also acted as brokers for the European traders at Bombay and Surat and gradually established themselves as merchants and traders of repute. By the middle of the 19th century, they had emerged as a dominant trading and financing community of Bombay and Gujarat. Thus the Parsis and Gujarati trading castes became the wealthiest Indian communities by the middle of 19th century, controlling whatsoever foreign trade was in Indian hands.

In Bengal the situation was slightly different. There existed communities like **Subarna Baniks** who traditionally specialized in trade and commerce and corresponded to Banias in other regions. The Bengali merchants and capitalists did participate in trade, industry and banking along with the Britishers but as British political power firmly consolidated the Bengali houses gradually receded from the scene.

There was another important and fairly developed business community called **Marwaris** hailing from Marwar in Rajasthan. The trading and money-lending castes attained their greatest development in Gujarat and Rajputana through which lay the famous trade route from Gujarat ports to the historical centre of the Great Mugal State. But even during the first half of 19th century, Rajputana was ravaged by feudal strife and it was by no means an ideal place for large scale trading and money lending operations.

In absence of bania element in Maharashtra **Yajendra Brahmins** and **Chitpavan Brahmins** took considerable part in trading, money-lending and indigenous banking.

Thus entrepreneurial class was primarily drawn from amongst traders, importers-exporters, real estate owners, bankers, brokers or contractors and even those who came from other backgrounds had some sort of apprenticeship in trading. This character of entrepreneurship influenced the course of industrial development and the cotton textile industry—a relatively safe industry with a wide consumer market and well known technical know-how served as the stepping stone to mark branching out into industry. Later in the 20th century, jute and sugar also attracted their attention, as jute manufacturing had already been demonstrated in Bengal and sugar industry got protection. Besides they also developed cement, paper etc. But the textile industry, cotton, woolen and jute before independence, remained the most preferred industrial sector for the Indian entrepreneurial class and it attracted most of their resources and efforts.

The industrial revolution of England forced it to search for wider markets. The Indian market was made a target. The control of East India Co. on trade had become somewhat loose during the middle of 19th century as they were more concerned with consolidation of political power. This brought the native

businessmen in exceedingly close contact with British businessmen. As a boon to them came the blockade of southern ports in American civil war which shut off Lancashire's supply of raw cotton. Several Indian entrepreneurs thus emerged from this opportunity.

Among the native group there were certain classes of people who could possibly be influenced to take to industry. There was the Indian mercantile class along with the Europeans that had taken advantage of the rapidly expanding trade and amassed considerable riches in trading, financing, import-export and winning of the favours of the rulers. However, certain cultural, social and economic factors militated against their coming to industry. They had enough funds for investment but no technical competence. They did not know much about the administration of factory labours. As they were already engaged in highly lucrative trading, there was no lurement to abandon their former places in the business and social order. No priorities for technical education existed at that time and hence the technician-entrepreneurs were not even within the realm of imagination. The conditions for the emergence of entrepreneurial class were favourable to the merchant class and among them to the community which was close to the British and in a position to hire British technician. This is how Parsis came out to set up their first industrial ventures and were able to make a transition to the modern industry.

The development of cotton and jute textile was a natural corollary of the fact that India was the home of hand manufacturers of both cotton and jute, and so there was great familiarity with these fibers and skills in handling them, besides large home production of raw materials. India thus stepped into modern industrial era during the latter half of the 19th century.

The kind of entrepreneurial development in India, has in initial stages of industrialization, was quite in conformity with the experience in other countries. But despite nearly a century of industrialization on the eve of independence the industrial structure lacked balanced integrated development that the trading and financing background remained almost an exclusive source of entrepreneurship the entrepreneurs came mainly from certain small geographic areas of this

vast country; and that the economic power was concentrated in a few families.

The entrepreneurial activity remained an exclusive preserve of the trading and financing classes. The supply of entrepreneurs from business community was unabated and the beginning of 20th century witnessed the emergence of two more regional communities as industrialists in the first quarter of the century the Marwaris and in the second, the Chettiars, of Tamil Nadu appeared on the industrial scene of the post independent India.

After the independence, many drastic changes had occurred in various policies of government which provide huge encouragement and motivation to entrepreneurs to start and develop their own businesses. They venture into new areas of specialization and started developing new forms of entrepreneurship. In the present era, entrepreneurs are found in various types of business occupations of varying size. According to the types of business, use of professional skill, motivation, growth and stages of development, entrepreneurs can be classified into following categories:

- **Business Entrepreneur**

Business entrepreneurs are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. They are called small business entrepreneurs when found in small business units such as printing press, textile, processing house, advertising agency, ready-made garments or confectionery. In a majority of cases, entrepreneurs are found in small trading and manufacturing business and entrepreneurship flourishes when the size of the business is small.

- **Trading Entrepreneur**

Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade.

- **Industrial Entrepreneur**

Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors product or service to meet the marketing needs. He is product oriented man who starts in an industrial unit because of the possibility of making some new product. The entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. He is found in any industrial unit such as the electronic industry, textile units, machine tools, etc.

- **Corporate Entrepreneur**

Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organization, which is registered under some statute or Act, which gives it a separate legal entity. A trust registered under the Trust Act or a company registered under the Companies Act is examples of corporate undertakings. A corporate undertaking is thus an individual who plans, develops and manages a corporate body.

- **Agricultural Entrepreneur**

Agricultural entrepreneurs are those persons who undertake such agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture. They are motivated to raise the productivity of agriculture through mechanization, irrigation, and application of technologies for dry land agriculture. They cover a broad spectrum of the agricultural sector and include agriculture and allied occupations.

- **Technical Entrepreneur**

Technical entrepreneur is essentially an entrepreneur of craftsman type. He develops new and improved quality of goods because of his craftsmanship. He concentrates more on production than marketing. He does not care much to generate sales by applying various sales promotional techniques. He demonstrates his innovative capabilities in matters of production of goods and rendering services. The greatest strength, which the technical entrepreneur has, is his skill in production techniques.

With the passage of time, many technological changes and innovations have occurred in India. In order to become a developed nation from a developing economy, it started to adopt new technologies and in this sphere, the most revolutionary technology is the use of Internet. This technology has benefitted people of many different fields but it proves to be most advantageous for the entrepreneurs. This technological development has opened avenues for entrepreneurs and individuals to do business and earn money through internet thus transforming them into Netpreneurs. In the 21st century, Netpreneurship has surpassed the limitations of time and distance and it opened the doors of new business opportunities for many individuals who are termed as Netpreneurs.

Netpreneur

Anyone who wants to earn some money online could be a Netpreneur. Netpreneurs are like any other entrepreneurs. The only difference is that Netpreneur as the name suggests a special class of entrepreneur who has some special technical skills that could be used to earn money online. Netpreneurship is the business on the internet and Netpreneur helps to shape the future of business on the Internet by being an innovator. He is able to recognize opportunity and administer resources to take advantage of the opportunities. In simple words, Netpreneurs are Internet Entrepreneurs.

Netpreneurship basically includes two things. It includes selling products, services, ideas and information through internet and inclusion of IT knowledge in general to innovate and create new ventures.

In other words, it can be said that the innovative people who are creating products and services which are to be delivered over digital networks are termed as Netpreneurs. This form of entrepreneurship is most suitable for such people who are not concerned about huge net worth. They want good real income and a stable environment. They want full control of their company. A growing dissatisfaction among people with institutions and government and revolution in communications are also responsible for this economic transformation. There is another big advantage of Netpreneurship that it has nothing to do with age. It provides chance to people to become entrepreneur

at any age. It enables the individual and businessmen to make a global presence and accessibility.

Hence, the concept of entrepreneurial class which emerged due to some social and occupational groups has now been transformed into Netpreneurs. Now a day, it is not restricted to any particular community or occupational group. Anybody who has courage and innovative skill can become an Entrepreneur at any age and any place.

Conclusion:

Historically entrepreneurial class emerged in the agrarian Europe and Britain from the rich trading community having enough funds to take risks to start new ventures. In the literature, growth of entrepreneurial class has been attributed to the those who are outsider to the main social community of a country. In India entrepreneurship was developed in nineteenth century and all those factors that were reasons for European and British entrepreneurships in their year of transformation from agrarian society

to urban centres, could be found present in India. Banias, Paris and Subarna Baniks were prosperous business communities who then entered into the Industrial entrepreneurial Ventures. In modern age as trade, commerce, industrial operation as well as technology are progressing, the world has been witnessing different types of entrepreneurial classes

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