

Theories of entrepreneurship

Schumpeter theory

1. Introduction of a new good
2. Introduction of new method of production
3. Opening of a new market
4. Conquest of a new source of supply of raw materials and
5. Carrying out of new organizations of any industry.

Innovations create new demand and entrepreneur brings these innovations to the market.
Entrepreneurs are major mechanisms of wealth creation and distribution in capitalism.

Classical entrepreneurship theory

classical economic theory consists of two basic issues

1. wealth creation in society and
2. wealth distribution in society.

It is based on private ownership of the society the creation and distribution of the wealth are done through the exchange of goods and services under open uncontrolled markets. It is open to all buyers and sellers.

Adam Smith developed classical capitalism as an economic theory.

Neoclassical entrepreneurship theory

The key concept of this theory is that there are many buyers and sellers in the market.

They interact and insure that supply equals demand.

Capitalized market create wealth and distribute wealth among buyers and sellers.

It is based on the concept of “economics of scale” the cost of production per unit decreases with the increase of the size of the firm.

This theory suggests that large firms are more profitable than small firms

Axiomatic theory

De and Rao (2001) proposed an axiomatic theory of entrepreneurship in agriculture.

Axiomatic theory consists of a propositional statements ranging from postulates to hypothesis with a built-in logical system for explaining and predicting the entrepreneurial behaviour of farmers.

According to them Axiomatic theory of entrepreneurship is higher the value orientation, marketing facilities, education and socioeconomic status lead to the higher entrepreneurial behaviour of farmers.

Harvard School Theory

Entrepreneurs are engaged in purposeful activity of developing a profit oriented business in interaction with internal and external forces.

Internal forces are the characteristics' of entrepreneurs viz., risk taking, innovativeness, achievement orientation personal resourcefulness, opportunity seeking, strategic reasoning and External forces include surrounding the business, economic, social political, cultural and legal framework.

This theory emphasise two types of activities

1. The organisation or coordination activity and
2. Environmental characteristics' affecting decision making.