

# **Theories of Entrepreneurship**

## **1 Schumpeter's Theory of Innovation:**

Joseph Schumpeter propounded the well-known innovative theory of entrepreneurship. Schumpeter takes the case of a capitalist closed economy which is in stationary equilibrium. He believed that entrepreneurs disturb the stationary circular flow of the economy by introducing an innovation and takes the economy to a new level of development. The activities of the entrepreneurs represent a situation of disequilibrium as their activities break the routine circular flow.

## **2 Max Weber's Theory of Social Change (Emphasis on Impact of Religion):**

Max Weber advocated a sociological explanation for the growth of entrepreneurship in his theory of social change. He felt that religion had a profound influence on the growth of entrepreneurship. The religious belief and ethical value associated with the society plays a vital role in determining the entrepreneurial culture.

Max Weber opined that the entrepreneurial energies of a society are exogenously generated and supplied by religious beliefs. Some religions profess the basic values to earn and acquire money whereas some religions put less emphasis on it. In order to understand the gist of Max Weber's theory we need to understand few fundamental points of the theory.

## **3 The Uncertainty-Bearing Theory of Knight:**

Frank H. Knight (1957) in his book Risk, Uncertainty and Profit regards profit of the entrepreneur as the reward of bearing non-insurable risks and uncertainties. Entrepreneurship is genuinely associated with risk bearing. Knight had distinguished risk into insurable risks and non-insurable risks

## **4 Theory of Frank Young (Emphasis on Changes in Group Level Pattern):**

A Micro-sociological interpretation of entrepreneurship as coined for the theory propounded by Frank Young emphasizes that the entrepreneurial initiatives are conditioned by group level pattern. Young rejected the psychogenic interpretations of entrepreneurship. He considered the solidarity groups responsible for building entrepreneurship.

## **4 Economic Theory of Entrepreneurship:**

G.F. Papanek (1962) and J.R. Harris (1970) were of the view that economic incentive is the main factor that influences entrepreneurial activities. Economic gains spontaneously develop the willingness among the entrepreneurs to undertake diverse entrepreneurial initiatives. The relationship between an individual's inner urge and the desired economic gains has a profound influence in the development of entrepreneurial

competencies. Entrepreneurship development and economic growth takes place whenever certain economic conditions are favourable.

#### **6. Mark Casson Theory (Economic Theory):**

Mark Casson's theory is an original synthesis of other approaches. Mark Casson in his book 'The entrepreneur- An Economic Theory', published in 1982, talks about the entrepreneur. According to Mark Casson the Entrepreneur might be a property developer, a small businessman or just someone who knows how to 'turn a fast buck'. His book as expressed by Mark Casson endeavoured to provide a balanced view on the topic of entrepreneur.

#### **7 Kunkel's Theory (Emphasis on Entrepreneurial Supply):**

John H. Kunkel had built up his theory on the edifice of entrepreneurship supply. He was of the opinion that the sociological and psychological factors influence the emergence of entrepreneurs.

Supply of entrepreneurs has a functional relationship with the social, political and economic structure.