

UNIT-2

| Subject Name | Subject Code | Semester | Prepared by |
|--------------------------------|--------------|----------|---|
| ENTREPRENEURIAL DEVELOPMENT | 18BBA65S | VI | Dr.R.Geetharamani, Assistant Professor |

ENTREPRENEURIAL ENVIRONMENT

- **Political**-Political Atmosphere, Quality of Leadership
- **Economic**-Economic Policies, Labour, Trade, Tariffs, Incentives, Subsidies
- **Social**-Consumer, Labour, Attitudes, Opinions, Motives
- **Technological**-Competition And Risk, Efficiency, Productivity, Profitability
- **Legal**-Rules, Regulations
- **Cultural**-Structure, Aspirations And Values

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

There are large number of varied factors which contribute to the growth of entrepreneurship. These factors can be broadly classified into five.

➤ **PSYCHOLOGICAL FACTORS:** - Inspiration for achievement prepares an entrepreneur to set higher goals and achieve them. The important psychological factors influencing entrepreneurial growth may be outlined as below:

(A) Need for Achievement: - Need for achievement means the drive to achieve a goal. People having need for achievement will be so much self – confident that they do not believe in mere luck. If an individual has need for achievement, he will become a successful entrepreneur.

(B) Personal Motives: - These have been found to be one of the crucial factors responsible for entrepreneurship amongst individuals. Bill Gates dreamt that one day he would become the richest person. His dream became a reality later.

(C) **Recognition:** - Many people become successful entrepreneurs just for getting recognition from others.

(D) **Need of Authority:** - 'Need of authority' will inspire men to work. When they become entrepreneurs, they can exercise authority over managers, employees etc.

➤ **CULTURAL FACTORS:** - Culture consists of (1) Tangible man – made objects like furniture, buildings etc., (2). Intangible concepts like Laws, morals, knowledge etc., (3) Values and behaviour acceptable within the society. The important cultural factors influencing entrepreneurial growth are briefly explained as follows:

(A) **Culture:** - Culture is closely related with accepted values and human behaviour. For e.g. some societies have customs of polygamy and some have not.

(B) **Religious Belief:** - According to Max Weber, entrepreneurship is a function of religious belief and the impact of religion shapes the entrepreneurial culture. He emphasized that the entrepreneurial energies are exogenous supplied by means of religious belief.

(C) **Minority Groups:** - Hoselitz explained that the supply of entrepreneurship is governed by cultural factors, and culturally minority groups are the spark plugs of entrepreneurial and economic development. Minority groups like the Jews and Greeks in Medieval Europe, the Lebanese in West Africa, the Indians in East Africa has important roles in promoting economic development.

(D) **Spirit of Capitalism:** - It guides the entrepreneur to engage in activities that can bring more and more profits. The profit motive character coupled with the attitude towards acquisition of money urges the individual to start new venture.

➤ **SOCIAL FACTORS:** - What mould a man into an entrepreneur is the sociological and environmental factors during childhood, and at the school, personal experience in adult life at the college and job environments, the mobility, occupation and support from parents. The social factors include:

(A) **Legitimacy of Entrepreneurship:** - System of norms and values within a socio – cultural setting is responsible for the emergence of entrepreneurship. The degree of approval or

disapproval granted to entrepreneurial behaviour will influence its emergence and its characteristics if it does emerge.

(B) Social Marginality: - Individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. Social marginality is likely to promote entrepreneurship are largely determined by two factors, namely the legitimacy of entrepreneurship and social mobility.

Family, Role Models and Association with Similar Type of Individuals: - If an individual has a supportive family, he or she is more likely to become an entrepreneur. Similarly, if an individual has role models who have been successful in entrepreneurship, certainly, he may be motivated to start ventures. If a person is in association with entrepreneurs, this may add to his or her desire of setting up a new venture. Reliance, Tata, Birla etc. are the industries depend upon family based inheritance. Roberts (1991) has developed the idea of the 'entrepreneurial heritage ' to describe the importance of the family background for the entrepreneur. This heritage includes factors such as the father's occupation, the family work ethic and religion, family size and the first born son, growing up experience and so on.

(C) Caste System: - Certain religions and caste encourage the growth of entrepreneurial talent. Some religious communities like the parsees, marwaris and sindhees seem to have an affinity for entrepreneurial activity. The caste system in Hindu society has promoted to the growth of business and professional skills.

(D) Occupation :- Those born in rich families with silver spoons in their mouth have not only an advantage of having financial resources for carrying out business but also learn the business skill by continuous interaction and contacts with parents, customers, employees and visitors in family shops, offices and homes.

(E) Education and Technical Qualifications: - **Education** is the best means of developing man's resourcefulness which encompasses different dimensions of entrepreneurship. It may be expected that the high level of education may enable the entrepreneurs to exercise their entrepreneurial talent more efficiently and effectively.

(F) Social Status: - Every human being aspires for a high social status and once he achieves

a reasonable level, his aspirations and desires for its start getting multiplied. People work hard to maintain their status as it also contributes to their entrepreneurial growth.

(G) Social Responsibility: - It is the obligation to the society in which the business enterprise operates. An entrepreneur generates employment for others besides helping himself.

➤ **ECONOMIC FACTORS:** - Economic factors also influence the growth of entrepreneurship. The important economic factors are:

(A) Infrastructural Facilities: - Entrepreneurship development requires certain basic infrastructure like power, transportation, communication, technical information etc. These provide external economies and improve the efficiency of investments by entrepreneurs. These infrastructural facilities are scarce in less developed countries. The entrepreneurs themselves have to procure these facilities at their own cost. They have to obtain these facilities at higher costs. This will greatly discourage the entrepreneurship development. In advanced countries, those who are desirous of starting an enterprise will find no difficulty in procuring the infrastructural facilities at reasonable costs.

(B) Financial Resources: - Finance is the life blood of business activity. Capital is required to obtain materials, machinery, equipment, etc. and to undertake innovation. Capital is regarded as lubricant to the process of production. The lack of financial resources discourages the youth and potential entrepreneurs to start new ventures. Hence, the need for fixed and working capital should be adequately met if new entrepreneurs are to come forward and grow.

(C) Availability of Material and Know – How: - Entrepreneurship is encouraged only if there is an adequate supply of materials and know-how. Easy availability of materials attracts more individuals towards entrepreneurship. Technical know-how is essential for innovation. With technical knowledge, men discover more and sophisticated techniques of production.

(D) Labour Conditions: - The quality rather than quantity of labour is another factor which influences the emergence and growth of entrepreneurship. The availability of cheap labour

positively affects entrepreneurship. Labour problem can be solved not by capital intensive technologies but by increasing their mobility, by offering them facilities, incentives and concessions in every remote corner of the country.

(E) Market: - The size and composition of market influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market.

(F) Support System: - Ability, initiative and support systems include financial and commercial institutions, research, training, consultancy services, ancillary industry etc.

(G) Government Policy: - The socio- political and economic policies of the government inhibit or foster entrepreneurial growth. Land and factory sheds at concessional rates, adequate sources of power, supply of materials and other physical facilities should be provided by the government to facilitate the setting up of new enterprises. The government has a dominant role to play in the industrial development of backward regions with a view to attain a balanced regional development.

➤ **PERSONALITY FACTORS:** - The supply of entrepreneurship in a society is largely influenced by the presence of individuals with the initiativeness, foresightedness and organizing and managerial competence. The following personality factors contribute to the entrepreneurial development:

(A). Personality: - The entrepreneurial personality comprises of the person, his skills, styles and motives. Impressive personality and individual skill help to develop entrepreneurship. These qualities are required for entrepreneurs because they have to work with officers, managers, engineers, labourers, customers, investors, govt. officers, ministers etc.

(B). Independence:-Another personality factors which influences entrepreneurship is independence. An entrepreneur works out plans on his own, searches and explores resources and experiences and uses inner urge to make the enterprise a success instead of waiting for suggestions or directions from others.

(C). Compulsion: - Certain compelling reasons also force the people to become entrepreneurs. These include: (a) unemployment or dissatisfaction with existing job or

occupation, (b) to use technical or professional knowledge and skills, (c) to put the idle funds to use. A large number of technically qualified people after gaining initial experience and confidence and not being satisfied by their growth in the profession have a compulsive reason to try entrepreneurship.

ROLE OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT:

1. Employment opportunities

Entrepreneurs employ labour for managing their business activities and provides employment opportunities to a large number of people. They remove unemployment problem.

2. Balanced Regional Development

Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They remove regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

3. Mobilization Of Local Resources

Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.

4. Optimization Of Capital

Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.

5. Promotion of Exports

Entrepreneurs reduce the pressure on the country's balance of payments by exporting their goods they earn valuable foreign exchange through exports.

6. Consumer Demands

Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.

7. Social Advantage

Entrepreneurs help in the development of the society by providing employment to people and paves for independent living They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

8. Increase per capita income

Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society.

9. Capital formation

A country can attain economic development only when there is more amount of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.

10. Growth of capital market

Entrepreneurs raises money for running their business through shares and debentures. Trading of shares and debentures by the public with the help of financial services sector leads to capital market growth.

11. Growth of infrastructure

The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.

12. Development of Trader

Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country.

13. Economic Integration

Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote economic integration in the country by adopting certain economic policies and laws framed by the government. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

14. Inflow of Foreign Capital

Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses.

THE FUTURE GROWTH OF ENTREPRENEURSHIP IN INDIA:

The concept of an entrepreneur is refined when principles and terms from a business, managerial, and personal perspective are considered. In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behaviour that includes:

- Initiative taking,
- The organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account and
- Acceptance of risk or failure.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or

unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources efficiently and effectively.

Entrepreneurship is thus considered as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence that comes with it.

There is always been a big rush to join the IITs and the other elite engineering colleges in India. One of the primary reasons is bright career opportunities. The students and parents as they conceptualize “career” by evaluating the performances of the alumni and fresh graduates in the job market deduce that graduating from these colleges will fetch those jobs with hefty packages. However, the nation has lately realized that to help grow the economy faster, there is a need for entrepreneurial ventures. The fresh young minds from the elite engineering institutions are just the right people for generating new ideas and innovations and launch them through entrepreneurial projects. This will not only help them in their own career development but will help the career of many more through creation of jobs. Also it will boost the economy of the country. Companies like Microsoft, Apple, and Facebook are all started by young entrepreneurs within or beyond the campus. Thus, the engineering colleges could become the incubation centres for successful ventures in India from the generations to come and create Indian entrepreneurial brands.

The business world is dynamic. The global markets are not only dealing in Indian entrepreneurial markets but also they are investing with them. We can find ample examples in the Indian economy. Ibibo group purchased redbus.in and yourbus.in.

Indian entrepreneurs today are successful and have gone global. They are not only helping themselves but also are creating jobs in the market at an unprecedented rate. This is helping the Indian economy to larger extend.

Recently, India is considered to be amongst the three top investment destinations. According to a report released by Evaluate research, over 44 U.S. based VC firms are now seeking to invest heavily in startups and early-stage companies in India. Reports from PricewaterhouseCoopers predict that between 2010 and 2024, 2219 multinational companies will emerge from India.

“People in developing countries “are not pitiful beggars, are not helplessly trapped in obsolete ways and are not uncritical prisoners of dysfunctional cultures.” In fact, he says and I can vouch from my experience that the developing world is teeming with entrepreneurs who possess an “astonishing ability to wring a profit out of practically nothing.

The Indian experience has established that, when the right environment is created by the policy makers, the entrepreneurial spirit of the people finds expression and the economic activity booms. The government and the citizens alike have realized the potential of private initiatives ever since the Indian economy was liberalized in the 1990s. The trend of private enterprise is picking up pace in India and is likely to be supported by all executive and legislative functions of the country irrespective of political ideologies.

Despite many challenges, the entrepreneurial opportunities in India are substantial. A new-found entrepreneurial culture is creating a favourable ecosystem of service and resource providers. Besides government programs and agencies, a number of private funds, mentors, and service providers are entering the arena to further accelerate the trend. There is a long way to go to reach a mature entrepreneurial landscape in India, but the opportunities are sufficiently large and numerous that the future of India will likely be shaped by its entrepreneurs.

ENTREPRENEURIAL MOTIVATION:

Meaning

The entrepreneurial motivation is the process that activates and motivates the entrepreneur to exert higher level of efforts for the achievement of his/her entrepreneurial goals. In other

words, the entrepreneurial motivation refers to the forces or drive within an entrepreneur that affect the direction, intensity, and persistence of his / her voluntary behaviour as entrepreneur. So to say, a motivational entrepreneur will be willing to exert a particular level of effort (intensity), for a certain period of time (persistence) toward a particular goal (direction).

Definition

Motivation is regarded as “the inner state that energizes activities and directs or channels behavior towards the goal”.

Motivation is the process that arouses action, sustains the activity in progress and that regulates the pattern of activity.

Nature of Motivation

The nature of motivation emerging out of above definitions can be expressed as follows:

1. Motivation is internal to man

Motivation cannot be seen because it is internal to man. It is externalized via behavior. It activates the man to move toward his / her goal.

2. A Single motive can cause different behaviors

A person with a single desire or motive to earn prestige in the society may move towards to join politics, attain additional education and training, join identical groups, and change his outward appearance.

3. Different motives may result in single behaviour

It is also possible that the same or single behaviour may be caused by many motives. For example, if a person buys a car, his such behaviour may be caused by different motives such as to look attractive, be respectable, gain acceptance from similar group of persons, differentiate the status, and so on.

4.Motives come and go

Like tides, motives can emerge and then disappear. Motives emerged at a point of time may not remain with the same intensity at other point of time. For instance, an entrepreneur overly concerned about maximization of profit earning during his initial age as entrepreneur may turn his concern towards other higher things like contributing towards philanthropic activities in social health and education once he starts earning sufficient profits.

5.Motives interact with the environment

The environment in which we live at a point of time may either trigger or suppress our motives. You probably have experienced environment or situation when the intensity of your hunger picked up just you smelled the odour of palatable food.

You may desire an excellent performance bagging the first position in your examination but at the same time may also be quite sensitive to being shunned and disliked by your class mates if you really perform too well and get too much of praise and appreciation from your teachers. Thus, what all this indicates is that human behaviour is the result of several forces differing in both direction and intent.

Entrepreneurial Motivating Factors

Most of the researchers have classified all the factors motivating entrepreneurs into internal and external factors as follows:

Internal Factors

These include the following factors:

1. Desire to do something new.
2. Become independent.
3. Achieve what one wants to have in life.
4. Be recognized for one's contribution.

5. One's educational background.
6. One's occupational background and experience in the relevant field.

External Factors

These include:

1. Government assistance and support.
2. Availability of labour and raw material.
3. Encouragement from big business houses.
4. Promising demand for the product.

Another study' on entrepreneurial motivation classified the factors behind entrepreneurial growth into three categories as follows:

1. Entrepreneurial ambitions:

- a) To make money
- b) To continue family business
- c) To secure self-employment / independent living
- d) To fulfil desire of self /wife/ parents
- e) To gain social prestige
- f) Other ambitions--making of a decent living, self-employment of children, desire to do something creative, provide employment to others, circumvent Land ceiling Act, etc.

2. Compelling reasons:

- a) Unemployment
Dissatisfaction with the job so far held or occupation pursued
- b) Make use of idle funds
- c) Make use of technical-/ professional skills.
- d) Others---maintenance of large families, revival of sick unit started by father, etc.

3. Facilitating factors

- a) Success stories of entrepreneurs

- b) Previous association (experience in the same or other line of a activity)
- c) Previous employment in the same or other line of activity
- d) Property inherited / self acquired / wife's
- e) Advice or influence (encouragement) of family members/ relatives /friends
- f) Others----association as apprentices and sleeping partners.

Table 1.4 : Entrepreneurship: Sources of Supply and Motivation

| <i>Author</i> | <i>Entrepreneurial phenomenon</i> | <i>Source of Entrepreneurial supply</i> | <i>Motive force or triggering factor</i> |
|---------------|-----------------------------------|--|--|
| 1. Schumpeter | Individual | Extraordinary individuals | Innate urge to achieve success |
| 2. Weber | Status Groups | Extraordinary individuals | Religious beliefs Calvinist ethic |
| 3. McClelland | Religious and social groups | Individuals with high n-achievement, creative | Child-rearing practices and climate |
| 4. Hagen | Subordinated Groups | Individuals in the society driven by a duty to achieve | 'Status withdrawl' and 'relative social blockage'. |
| 5. Cochran | Individual | Society's 'model', personality determined by its cultural values, role expectations and social sanctions | 'Social Acceptance' of entrepreneurial role |
| 6. Young | Homogeneous | 'Relative sub-groups' (ethnic communities) occupational groups, or Politically--oriented factions | Deviant view of the world strengthened by group solidarity |
| 7. Kunkel | Group | Operant conditioning procedures in a society | Reinforcing stimuli and average stimuli |
| 8. Hoselitz | Group | Culturally marginal groups | Gaining social recognition |

The Content in the E-Material has been taken from the text and reference book as given in the Syllabus