

ENTREPRENEURSHIP IN INDIA: THE CHALLENGES AHEAD

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ABSTRACT

India's dramatic macroeconomic success in the last quarter century has stemmed from a number of factors. This paper provides several of the antecedents for this, focusing especially on India's burgeoning entrepreneurship. Along with structural liberalization that has allowed the progress to date to take place, several factors—including socio-cultural ones—help explain the dynamism of Indian entrepreneurial activities. Several circumstances, such as access to capital and market conditions, are favorable for continued development, although some limiting factors, such as corruption, remain in place.

INTRODUCTION

Based on its economic performance, India has been lauded by a number of experts as the next Asian miracle. The argument has been made that one of the main reasons for India's economic success is its shifting from a system that was inspired by the Soviet model of state-sponsored commerce to one that is more market-oriented. Entrepreneurship in India has been influenced by factors such as religion and politics, which in the past have given the country a bad reputation within the business community. However, recent governments have made it their objective to make the country extremely business-friendly, both for its people and for foreign investors. Institutional reform appears to have gained greater momentum in India than in rapidly changing China, and the former outperforms the latter in a number of the World Bank's governance indicators.

While the country has made tremendous progress, issues of caste, bureaucracy, and corruption both at the state and national levels continue to be major problems. Furthermore, there are a number of Western researchers who are skeptical of India's economic success and believe that the country's social structure is a major roadblock to entrepreneurship. Moreover, political influence and corruption within the business community are problems that need immediate attention. This paper will attempt to discuss the various factors that shape Indian entrepreneurship along with the many challenges that face the country as it competes regionally to be the next Asian superpower.

ENTREPRENEURSHIP

Most modern-day interpretations of entrepreneurship have been derived from historical descriptions and case studies that centered on the free enterprise era of Western capitalism. Even today, the Western entrepreneur has been romanticized to such an extent that businessmen from developing economies continue to critique their accomplishments based on these models. According to Schumpeter's theory of economic development, *entrepreneur* is the term used to describe a specialized body of employers who venture out, take on risks and organize the allocation the labour and capital that is required to turn a business idea into reality (Javillonar & Peters, 1973).

An entrepreneur is also an innovator in that he or she introduces unique combinations of innovations. These innovations could be the introduction of a new product, a novel method of production, the uncovering of a new market, re-organizing a particular industry or finding out a new avenue for supplying raw materials and half-manufactured goods (Kumar, 2008). Entrepreneurship is basically a creative activity and a phenomenon that comes under the umbrella of leadership. Therefore, the entrepreneur has to be a manager, innovator, and promoter all in one (Uddin et al., 1990). When defining and attempting to understand entrepreneurship, it should be understood that there are generally two types (Schwab, 2011):

- Opportunity-based entrepreneurship – where an entrepreneur sees that there is a business opportunity and decides to pursue this as a realistic career choice.
- Necessity-based entrepreneurship – where an entrepreneur has no other option with respects to earning a livelihood. This is not based on choice but rather on compulsion.

While theoreticians such as Weber and Schumpeter were mainly concerned with defining entrepreneurship within the Western context, McClland devised a theory that could be applied universally. According to McClland, there is a causal relationship between what is known as the “achievement motive” and entrepreneurship (Javillonar & Peters, 1973). McClland defines *achievement motivation* as an individual's desire to succeed for his or her own personal accomplishment. He believed that the economic development of any country is accelerated by the rise of people within this particular psychological drive. Therefore, it can be said that India's recent economic success has been caused by its people possessing the achievement motive (Kumar, 2008).

One of the assumptions of the achievement motive theory is that an individual is independent and free to live his life according to his own wants and desires. However, this particular criterion for entrepreneurship appears to be more suited to Western societies rather to family oriented ones like India, China etc. In Western countries, the nuclear family is necessary for initial socialization in independence and self-reliance. In countries like the United States and Canada, children are expected to go out on their own upon reaching legal maturity. This means that they are left to their own devices with respect to career planning, paying for school and marriage (Petras, 2008).

THE IMPORTANCE OF INDIA'S ECONOMIC LIBERALIZATION

Entrepreneurship in India has grown since India began liberalizing its economy in 1991. Some of the most prominent companies driving India's economic growth came into their own following liberalization. Take the case of the IT company, Infosys. From 1981 to 1991, the firm expanded by less than US \$5 million ("India's Liberalization," 2012). In the 20 years since liberalization, Infosys has grown into a US \$6 billion corporation with a global presence. The company's co-founder N.R. Narayana Murthy has emphatically stated that the company would not have achieved the kind of success that it has if it were not for liberalization. The success of Infosys and other companies that were set up post-1991 should remind the government that the country has a tremendous pool of talent that needs the right environment to flourish ("India's Liberalization," 2012).

According to a study conducted by Kaustubh Dhargalkar, the number of first generation companies listed in Group A of the Bombay Stock Exchange (BSE) has grown from 9 in 1991 to 30 in 2011. This number does not include those start-ups that moved out of Group A. If these companies were included, then the total number of first generation companies that got listed in Group A of the BSE from 1995 to 2011 would be 62. There are four main reasons why there has been great influence of first generation companies in the post-liberalization era ("India's Liberalization," 2012):

- Greater access to angel investors and venture capitalists which reduce the cost of starting a business;
- Technology has lowered the expenses associated with niche marketing;
- Stock markets have become more transparent and efficient which makes it easier for entrepreneurs to gain access to money;
- Indians in general have warmed to the idea of entrepreneurship.

SUCCESS OF INDIAN ENTREPRENEURS ABROAD

Indian entrepreneurs are highly successful in countries like the United States, Canada and the United Kingdom. In the U.S., the average net business income of Indian entrepreneurs is \$84,080 which is much greater than the national average of \$52,086. This is particularly striking when compared with India's per capita income of \$2,644 (Shivani et al, 2006). The question that is often asked is why are Indians such successful entrepreneurs abroad?

One hypothesis is that Indians have excellent educational backgrounds and that human capital plays a large role in their business success. In the U.S., Canada and U.K., Indian entrepreneurs are more likely to be college graduates than the locals (Huang, 2008). More than two thirds of Indian entrepreneurs in the United States have graduated from college or universities and the same applies to half of all Indian entrepreneurs in Canada. This is double the national average in both countries. The percentage is lower in the U.K. at one third but this is still higher than the national average (Huang, 2008).

While education is one the main reasons why Indian entrepreneurs are successful abroad, the fact of the matter is that these countries encourage entrepreneurship, have excellent infrastructures, superior technologies, and other various mechanisms in place to aid start ups. Corruption and red tape remain two of the most pressing issues facing entrepreneurship in India. Countries like the U.S., Canada and the U.K. allow entrepreneurs to grow and give them access to the networks, clients, advisors and capital required to make allow their ventures to succeed (Huang, 2008).

Since the 1990s, business conditions have improved in India especially in the area of IT. Despite this, Indians living abroad often complain about the complicated bureaucratic restrictions, corrupt and lackadaisical officials, and the presence of an infrastructure that causes daily difficulties such as unreliable power supplies, water shortages, congested highways, and extremely expensive telecommunications facilities. Furthermore, most non-resident Indians (NRIs) do not feel at home in India. This is because they are often faced with resentment whenever they return back home. This has a lot to do with India's long-standing hostility towards foreign companies (Kumar, 2008).

India's policy makers and entrepreneurs working in Silicon Valley communicate little if any even on matters pertaining to technology. Young graduates in India prefer to work for multinational companies because they believe that such firms will provide them with the opportunity to move to places like the United States and Canada. In Bangalore alone, software companies have reported turnover rates of 20-30 percent as workers make full use of the first opportunity that they have to migrate (Yep, 2012). Many of these workers eventually turn into successful entrepreneurs when placed in a conducive environment. However, recent reports have shown that a number of Indian entrepreneurs are returning home as their home country is beginning to offer them business opportunities that had hitherto been elusive (Wadhwa, 2011).

THE CURRENT STATE OF ENTREPRENEURSHIP IN INDIA

Researchers frequently refer to the *push-pull* hypothesis when attempting to explain why people decide to become entrepreneurs. This hypothesis has much to do with how one's economic environment influences entry into or exit from self-employment. Theoretically, high unemployment makes it difficult for people to be gainfully employed, thereby pushing them into self-employment. Simultaneously, if high unemployment reduces the demand for certain goods and services, individuals can be pulled out of self-employment (Petras, 2008). The Indian government has long regarded self-employment as one of the main ways to alleviate poverty. Therefore, it has implemented various support programs such as the Integrated Rural Development Programme (IRDP), *Prime Minister's Rozgar Yojana* (PMRY) and *Sampoorna Grameen Rozgar Yojana* (SGRY) (Munshi & Rosenzweig, 2006).

These programs are meant to motivate those who are unemployed to go into business for themselves. They include credit guarantees, capital subsidies and special support through banks. The economic liberalization that began in 1991 focused on structural, fiscal, and industrial reform. With the removal of barriers, it was widely expected that there would be an increase in private investment and greater entrepreneurial opportunities (Munshi & Rosenzweig, 2006).

India began to loosen its grip on industrial regulation during the early 1970s. Trade liberalization started during the late 1970s and continued well into the 1980s. However, the 1991 economic liberalization policies of the Rajiv Gandhi administration gave Indian entrepreneurship the stimulus that it needed. As of 2011, 57 Indian companies have been listed in Forbes Global 2000 list of public companies (“57 Indian firms”, 2011). Although Indian society is patriarchal in nature, divisions of financial institutions such as JPMorgan Chase, HSBC, UBS, Royal Bank of Scotland and Fidelity International have been headed by women. In fact, women account for about half of the deputy governors at the Reserve Bank of India (MacDonald, 2006).

India’s economic success had been spearheaded by Indian Information Technology (IT) and the business process (BP) offshoring sector. The offshoring industry first started in back offices, ventured to BP and is slowly shifting towards more high-end functions such as Research and Development (R & D) (Uddin et al, 1990). A number of pharmaceutical companies from the United States are outsourcing drug development processes to India. It has been estimated that developing a drug in India was US\$ 100 million which is significantly cheaper than the US\$1 billion that it would cost to do the same in the U.S. India’s entrepreneurship is especially evident in the IT sector which exports US \$3.75 for every dollar that is earned in the country (Munshi & Rosenzweig, 2006).

While there is enormous optimism regarding India’s economic future, a detailed analysis of the figures show that there is great room for improvement. India lags behind a number of developing countries on key indicators that are related to entrepreneurial activities. On the World Economic Forum’s competitiveness index, India ranked a mere 56th while its biggest competitor, China, fared much better at 28th. The Indian business community has continued to decry the fact that infrastructure is the biggest hindrance to entrepreneurship in the country (Schwab, 2011).

The informal economy forms a substantial part of India’s GDP and this has continued to rise steadily. Given the fact that 70% of the nonagricultural workforce is informally employed, analysts have estimated that a massive 90% of India’s GDP comes from the informal work force. Since poverty reduction is one of main indicators of entrepreneurial success, it is fair to say that India has not been faring well on this front (Javillonar & Peters, 1973). According to recent reports, 41.6% of the population lives on less than US \$1.25 per day while 75.6% live on less than US \$2 a day. Furthermore, economic growth has failed to have a trickledown effect, and only the wealthiest and those in the urban centers have benefitted from entrepreneurship. A mere 10 families have control over 80% of the stock in the country’s largest corporations (Ailawadi, n.d.).

Large Indian companies have privileged access to land and have strong political connections that allow them to win most of the government contracts. This has meant that entrepreneurship has also become a birth-right. Families like the Tatas, Birlas and Ambanis have control over the majority of the country’s natural resources and since they have political support, they prevent smaller entrepreneurs from progressing (Huang, 2008). While India is often lauded for its democratic political system, the economy has numerous traits of oligarchic capitalism. Analysts have shown that the economic liberalization policies of 1991 have little or no effect in promoting small and medium enterprises (SMEs). The elite core of politically-connected businessmen have

insulated themselves from outside competition and continue to wield enormous power over the economy (“57 Indian firms”, n.d.).

DETERMINANTS OF ENTREPRENEURIAL BEHAVIOR IN INDIA

Market conditions

Access to local and foreign markets plays a significant role on entrepreneurial performance. Since the domestic market in India is quite large, it has allowed some Indian firms to successfully compete on the international markets. Observers have noted that Indian companies’ ability to deliver value for money has allowed them to operate efficiently in the African market (Wadhwa, 2011). This is because they are able to adapt their business model to those of other developing countries. However, government regulations remain one of the main hindrances to those wishing to access the domestic market in India. For example, if a company wished to bring in raw materials, they would have pay taxes and the same applies to when the export the finished product or when they transport materials within the state (Bertaux & Crable, 2009).

Issues of governance

Indian politics has been characterized by poor governance, lack of accountability, and abuse of power. India’s business elite have long developed alliances with those in power and tolerate corruption if it benefits them. On account of the corrupt system, potential entrepreneurs find it difficult to cope with the bribes that they have to pay at each and every juncture in order to get a project underway (Bertaux & Crable, 2009). There are also groups who believe in reverting back to traditional Hindu values and who view corporations as harbingers of Western evil. Since such groups have support with the government and opposition, they have to be paid attention to and this further restricts entrepreneurship (Fest, 2005).

India’s courts system is overwhelmingly overburdened and cases typically take years to be decided because of all the red tape involved. In India, it normally takes seven years to close a business as compared to the Organization for Economic Co-operation and Development (OECD) average of 1.7 years (Kumar, 2008). Furthermore, the average time to register any property in South Asia is 106 days while the OECD average is 25 years. Firms with over 100 employees need to take permission from the government in order to fire workers (Kaka, 2009).

Entrepreneurship and marketing initiatives face major obstacles such as confusing regulations. For example, in the retail sector there are hindrances such as signboard licenses and anti-hoarding laws. There is also the absence of competition laws in some parts of the Indian economy. For example, current laws work against major retailers and project the interest of smaller stores (Kumar, 2008).

Access to capital

One of the main difficulties for Indian firms is gaining access to finance. This is despite the fact that there have been clear instructions from the Reserve Bank of India (RBI) and the Ministry of Finance to encourage the flow of capital. It is virtually impossible to get a bank loan or an angel investment if one is an up-and-coming entrepreneur. Such loans are usually set aside for major businesses and entrepreneurs have to fund their enterprises themselves. While this might be possible to some extent, it means that a small entrepreneur will never have the means to expand his or her company (Saberwal, 1976).

One other major problem is that there is no transparency regarding the financial situation of SMEs. There are even cases where the owners of such businesses are not fully aware of what precisely their financial situation is. Therefore, it is no surprise that bank will be hesitant to give out loans. Financial analysts have shown that a fairly large percentage of loans given to SMEs in the past have exacerbated the problem of non-performing assets (NPA) (MacDonald, 2006). Unless there are detailed financial statements, Indian banks will not be willing to take the risk and entrepreneurship as a whole will suffer. In order to comply with RBI regulations, banks might prefer to loan money to larger enterprises (Saberwal, 1976).

Recently, a credit guarantee system for SMEs was put in place by various financial institutions. One such scheme is the Credit Guarantee Fund Trust for MSEs (CGTMSE) where the life insurance cover is guaranteed for the main promoters of enterprises. Furthermore, some industry associations have signed MoUs with banks and other financial institutions in order to offer collateral security for start-up businesses (Huang, 2008).

FACTORS RELATED TO R&D AND TECHNOLOGY

When compared to most other developing countries like China and Brazil, India has been extremely slow in adopting Information and Communications Technology (ICT). A recent study conducted by Google India has shown has only 2 million out of 35 million SMEs had internet access. Despite this, there have been a few high profile cases of ICT being utilized in order to promote entrepreneurial activities (Munshi & Rosenzweig, 2006).

In October 2010, Intel made the announcement that they had joined with 70 Indian companies including the Bombay Stock Exchange in order to develop hardware and software for an inter-operable cloud. However, on the whole, R&D in India is poor. While India makes drugs and writes software for major Western companies, it has almost never developed anything of its own. This means that the country fares poorly on one major characteristic of entrepreneurship – innovation (Munshi & Rosenzweig, 2006).

Infrastructure

India's infrastructure has long been one of the main barriers limiting entrepreneurial activity. Roads are narrow and deteriorating with most development projects taking far too long. In 2007, there were only 1,500 trucks on Indian roads and one third of produce rotted before it could reach customers. The global financial crisis has made the situation worse (Yep, 2012).

In 2008, there were reports that close to half of the country's highway improvement projects that were valued at over US \$6 billion could be postponed by two years. Another issue has been sporadic power supply which has been a major roadblock to entrepreneurial activity, job creation, and poverty alleviation. As of December 2011, over 300 million Indian citizens had no access to electricity (Yep, 2012).

Reservation of Products

One of the more unusual policies in India is the reserving of particular products so that they can be exclusively produced by the small-scale sector. Critics have pointed out that this policy hindered the efficiency of SMEs. Over 800 products appear to have lost their original goal of creating local jobs by using locally available resources within a protective policy framework. This policy has been largely ineffective because the quality of products manufactured under the reserved category is far inferior to those that were non-reserved. Furthermore, lists of reserved products were changed for no other reason than political vested interests (Munshi & Rosenzweig, 2006).

THE EXTENDED FAMILY SYSTEM AND ENTREPRENEURSHIP

In developing countries like India, the extended family system makes it harder for individuals to display the kind of independence that is necessary for entrepreneurship. The basic unit of the extended family takes up most of the individual's time and his or her activities have to revolve round it. Personal desires come secondary and family even has a say in matters such as the choosing of a mate (Ailawadi, n.d.).

Traditional Indian joint families comprise of three generations all of whom live under the same roof. Similar to any commune, this particular unit is self-sufficient both socially and economically. For each individual, the family is the focal point for all social, religious and recreational activities. Within this circle of trust, importance decisions concerning marriage, education and careers, are made and all key events take place (Bertraux & Crable, 2009).

Many Western researchers believe that the extended family system needs to be eliminated in order to inculcate the entrepreneurial spirit among the citizens of developing countries. This is based on the assumption that individuals who depend upon extended families will be unable to

take the initiative for advancing themselves both socially and economically. Given that an individual has to share his or her profits with the joint family, Western researchers believe that there is less motivation for working hard (Fest, 2005).

While this may be a valid point, researchers appear to be unwilling to concede that providing for one's family might be an extremely potent motivation for entrepreneurship. In developed countries, business executives toil hard in order to develop an identity and to be recognized for their achievement. In countries like India, a person's identifies himself or herself with the extended family and therefore, is willing to put in the hard work required to benefit the whole family (Javillonar & Peters, 1973).

RELIGION AND ENTREPRENEURSHIP WITHIN THE INDIAN CONTEXT

In South Asia, the main religions are Hinduism, Islam, Christianity, Jainism, Sikhism and Buddhism. Historically, both Buddhism and Sikhism have links with Hinduism. Therefore, since most South Asians are Hindus, Hinduism is likely to impact individual decisions regarding business and entrepreneurship in India. While most religions give encouragement and hope to their followers with respect to changing their socio-economic when on Earth, Hinduism is unique in its dictates and ideology (Saberwal, 1976).

The lives of Hindus are guided by four key principles – *Dharma* or righteousness, *Artha* or earnings, *Kama* or desire, and *Moksha* or liberation. According to Hinduism, each human being is regarded as being an *Amrutasya Putraha* i.e. a child who is both divine and immortal. One's main purpose in life is to break the cycle of birth and re-birth and attain ultimate liberation. Therefore, material gains are of little consequence if a human being does not live to comprehend reality and achieve *Moksha* (Saberwal, 1976).

Hindu scriptures stipulate that individuals are supposed to follow righteousness, perform their duties and earn a living, ensure that their desires are satisfied and, eventually, seek liberation. The four principles can also be interpreted in another way—a good Hindu should earn his livelihood honestly and his or her only desire should be for liberation (Saberwal, 1976).

This particular evaluation of the scriptures is important because it teaches the individual that it is wrong to get lost in worldly pursuits. Entrepreneurship can definitely be classified as a worldly pursuit and if a person simply has to be totally involved in it if he or she wishes to make it a success. Therefore, there is appears to a distinct conflict between entrepreneurship and traditional Hinduism (Saberwal, 1976).

Another concept that is central to Hinduism and by extension, to Indian life in general, is *Varna*. This refers to the classification of individuals into various castes. According to Indian history, Indian society was divided into four major castes—*Brahmins*, *Kshatriyas*, *Vyshyas* and *Shudras*. The *Brahmins* were the intellectual elite and took upon the roles of priests, scholars and advisors to the monarchs (Saberwal, 1976). *Kshatriyas* were the protectors and administrators of the communities and comprised of kings and noblemen. The business class, which included traders

and entrepreneurs, were *Vyshyas* while the individuals of all other occupations were called *Shudras*. This particular system of classification continued across generations and to a large extent, determined the occupations of the majority of Hindus (Shivani et al, 2006).

The start of European commercial enterprise in India began around the 1600s and, at the time, did not have a major impact on the activities of the *Vyshyas* (Shivani et al., 2006). There was a huge demand for Indian goods in Europe during the 17th century and the East Indian companies ensured that these demands were met. Given that there was less demand for European goods in India, the balance of trade always remained in favour of the latter. Despite the fact that most European governments placed restrictions on the transfer of bullion from their respective countries, the various commercial companies had brought these treasures into India in order to finance their operations (Shivani et al., 2006).

In 1700 and 1720, the British government had to modify its customs regulations in order to reduce the reliance on Indian textiles. Hence, European activities in India largely favoured the latter till 1757 when the British had taken over a large part of Bengal. For India to eventually become an economic superpower, it has to ensure that these dynamics are in place again but, of course, on its own terms (Shivani et al., 2006).

In the 18th century, the most gains were made by the *Vyshyas*. While the weavers manufactured the textile goods that were wanted by the Europeans, they did not have the wherewithal to finance their operations themselves. Therefore, they had to depend on the *Vyshyas* to fund them, “under a system of contract which precluded any marginal profit accruing to the manufacturers”. The *Vyshyas* utilized the gains made from such activities to finance trade and money-lending (Saberwal, 1976).

Therefore, while the *Vyshyas* made amassed huge fortunes from money lending, they did not utilize the profits for investment in manufacturing or diversification. Ultimately, this lack on initiative and adherence to caste based roles eventually gave the British the upper hand in India. The Jagat Seths served the Nawab of Bengal as collectors of revenue and support the British in their economic and political activities. This support proved to be decisive as the British were able to gain control of Bengal in 1757 and cut off the *Vyshyas* from their sources of profit (Saberwal, 1976).

So, the question that needs to be asked is – did religion have a negative bearing on entrepreneurship and will this continue to be the case in the years to come. Max Weber and other researchers supporting his line of thinking have come to the conclusion that the Hindu value system has a number of negative elements that encourage occupational divisions and prevent human beings from achieving their true potential. Critics of the Weberian school of thought have pointed out that this approach makes a number of assumptions (Saberwal, 1976):

- That there was only one system of Hindu values;
- That this single value system pervaded the entire Indian social fabric and influence followers of other religions such as Islam;
- That there was an internalization of these values which were then translated on a daily basis;
- That these values were immune to change.

While the four key principles of Hinduism are known to all followers, the religion can be divided into a number of sects that have a combination of complementary and seemingly contradictory beliefs. Therefore, to even suggest that the Hindu value system has and will hinder enterprise in India is to ignore the diversity that exists within the religion. For example, Jainism is a sub-sect of Hinduism that stresses on *aparigraha* (detachment from the material world), *ahimsa* (non-violence), *aasteya* (desisting from stealing) and *brahmacharya* (detachment from sensual pleasures) (Shivani et al, 2006).

Despite the ascetic nature of their faiths, Jains are among the most successful and enduring business communities in the world. This suggests that the business behavior of the Jains appear to run counter to the essence of their faith. Therefore, to presume that every Indian will stay true to his or her value system and stay away from entrepreneurship is mistaken (Shivani et al, 2006).

Unlike their Western counterparts, researchers such as Shivani et al (2006) have argued that Indians are as materialistic as the citizens of developed countries. They have categorically stated that the Indian world view is made up of both spiritual and material values. This can be gauged by the fact that despite the caste system, ordinary citizens do live side by side and depend on one another for their livelihood (Shivani et al, 2006).

Despite the fact that renunciation is a dominant part of the Indian value system, ascetics and holy men only account for a small fraction of the population. There have always been a sufficient number of Indians who are willing to do the work required to provide for themselves and their families (Shivani et al, 2006).

HOW TO CREATE INDIAN ENTREPRENEURS?

Mckinsey and Company-Nasscom have reported that India requires a minimum of 8000 new businesses in order to eventually build a US \$87 billion IT sector. Over the next decade, there will be between 110 and 130 million Indians looking with 80-100 million of them searching for their first place of employment. To further complicate matters, over 50% of the 230 million Indians employed in the rural areas have zero productivity (Wadhwa, 2011).

Given that the government and the current businesses will not be able to effectively respond to the high demand for jobs, it is up to entrepreneurs to take up the challenge. Given that the current economy is knowledge based and that there is a wealth of talent, there is almost infinite opportunity for ordinary Indians to become entrepreneurs. In order to create the right environment to nurture such talent, India has to concentrate on four key areas (Yep, 2012) as explained below.

Creating a conducive atmosphere for success

It should be easier to start a business. Indian entrepreneurs generally venture out on their own by borrowing money from friends and family. The CEO plays a number of roles with the main ones being business strategist and salesman. He or she will only be organizing a professional team month or even years after starting a business and there will be few external partners. When comparing this process to those of start-ups in the Silicon Valley, it is easy to see why India still lags behind in terms of entrepreneurship (Vaidyanathan, 2011).

In Silicon Valley, a Venture Capitalist (VC) or angel investor is often brought on as soon as the business is started and all major decisions are made by a professional management team. Multifunctional teams will be quickly assembled and partnerships will be negotiated in order to scale up the business. India can move forward by creating specific areas (like the Silicon Valley) where ideas can be speedily and efficiently developed into functioning businesses. For example, Gurgaon and Hyderabad can be remote areas while Bangalore can concentrate on IT. Universities and other educational institutions can be included as partners in developing such areas (Vaidyanathan, 2011).

Ensure entrepreneurs are able to get the skills that they require

Most Indian start-up businesses are limited by two skill gaps—entrepreneurial and functional. The latter refers to aspects such as product development and marketing skills. Once again, universities and educational institutions would be the best option for equipping entrepreneurs with the skills that they need to create and maintain successful businesses (Vaidyanathan, 2011).

Ensure entrepreneurs are able to gain access to capital

Indian entrepreneurs have long had difficulties in gaining access to capital. In the past few years, a number of Venture Funds have entered the Indian market and are now providing important knowledge and access to potential investors, manufacturers and clients from around the world. Despite this, entrepreneurs are hampered by the fact that there are only a few angel investors who can aid them before the Venture Capitalists (VCs) can take over. Therefore, India has to look into creating a global support network of angels who can aid fledgling businesses (Uddin et al, 1990).

Ensure that there is networking and exchange of ideas

More than universities and colleges, entrepreneurs learn from their own experiences and those of others. Since globalization and the Asian market are growing rapidly, it presents the country with

great opportunity to create a number of entrepreneurs who can be leaders and who can help others as they strive in the global economy (Uddin et al., 1990).

INITIATIVES TAKEN BY THE GOVERNMENT TO PROMOTE ENTREPRENEURSHIP

THE MSMED Act of 2006

The landmark Micro, Small and Medium Enterprises Development (MSMED) Act of 2006 categorically states that entrepreneurs play a dynamic role in an increasingly globalized world. The MSMED Act has three clear initiatives (Schwab, 2011):

- Increase competitiveness by encouraging innovation amongst firms and laying emphasis on quality;
- Working towards a larger market presence and not being satisfied with domestic success;
- Increasing connections with different stakeholders with a goal to benefit from national and global networks.

The Act specifically stresses the importance of networking with stakeholders both upstream and downstream in the whole global value chain (i.e. from procuring raw materials to manufacturing to marketing to customer service) (Uddin et al, 1990).

Enhancing competitiveness

The government has gradually begun to recognize the importance of promoting entrepreneurship by lowering the cost of production, improving the quality of products and services, and by focusing on niche markets. For this purpose, the government has set up the National Manufacturing Competitiveness Council (NMCC), which would identify and concentrate on promising entrepreneurs and firms. Upon identification, the NMCC will aid these enterprises by upgrading technology, design and IPR protection, implementing marketing and sales promotion strategies and improving skills. The NMCC has identified four main areas for appropriate intervention (Uddin et al., 1990):

- Marketing
- Information technology
- Financial and general management
- Manufacturing and engineering

The plans proposed by the NMCC will be carried out on the basis of a Public Private Partnership (PPP) with provisions for sharing by firms and the government. In order to encourage competitiveness among potential entrepreneurs and existing SMEs, the Indo-Japan Cooperation Agreement was signed in December 2006 which in turn led to the setting up of the Visionary

Leaders for Manufacturing Programme (VLMP). The goal of the latter is to create a pool of 300 managers, professionals, CEOs and entrepreneurs who will utilize Japanese experiences to impart knowledge and training to local talent (Shivani et al., 2006).

Promoting innovation and awareness regarding quality

One of the main areas of concern for developing entrepreneurship in India has been the creation of a business environment that stresses on innovation and on delivery of quality products and services. The most successful companies in the world recognize that quality of products and services determines whether or not they can be successfully marketed. Indian SMEs continue to lag in this area (Shivani et al, 2006).

The Small Industries Development Bank of India (SIDBI) has collaborated with the Asian and Pacific Centre for Transfer of Technology which would aid Indians SMEs in improving their ability to develop, transfer, adapt and implement technology that are relevant to the region. Furthermore, the collaboration will give Indian SMEs the chance to network with foreign companies and negotiate exchange of ideas and technology (Fest, 2005).

Allowing Indian companies to be part of global value chains and markets

It is imperative that Indian companies have the opportunity to participate in global value chains. This would allow them to enhance their technological capability and expand their access to the global market. While India has long been known for having a protective economic policy, there has been a significant relaxing of foreign direct investment (FDI) norms (Fest, 2005). This has attracted a large number of multinational corporations to invest in India. Further, the government is pushing forward plans to improve networking between Indian companies and foreign firms (Petras, 2008).

With respect to competing in foreign markets, the Ministry of Commerce and the Ministry of MSME have developed Market Development Assistance (MDA) schemes which fund participation of Indian SMEs in trade fairs, study tours, publicity etc. The Ministry of Commerce has highlighted the following aspects of business promotion by Indian companies overseas (Petras, 2008):

- Assist exporters for promotion activities overseas;
- Aid approved organizations and trade bodies in taking on activities that are linked to export promotion efforts for various members;
- Help export promotion councils to take on promotion activities for their products and services;
- Assist in other residual activities that are linked with marketing promotion activities overseas.

THE FUTURE OF ENTREPRENEURSHIP IN INDIA

The central and state governments are taking an active interest in promoting the growth of entrepreneurship within the country. There is increased encouragement for people to form new enterprises, and governments are even supporting entrepreneurs with infrastructure and tax incentives. Financial experts have stated that more legislators are beginning to realize that new businesses create jobs and boost the economic output of the region. They have advised that state governments should concentrate on developing their own innovative industries so that there is increased entrepreneurial activity within their borders.

While the support of the government is important, society also plays an important role in promoting entrepreneurship. This is where the media comes in. Media outlets as NDTV and CNN-IBN should continue to report on the achievements of both small and major entrepreneurs and emphasize the need for such practices throughout the country (Ailawadi, n.d.).

THE “BRIAN GAIN” AS INDIAN ENTREPRENEURS RETURN HOME

Among the most significant factors drawing Indian entrepreneurs back home are access to local markets, greater economic opportunities and family ties. According to a recent report, 60% of Indian entrepreneurs said that they were returning home because of the availability of economic opportunities while 56% and 76% were attracted by local markets and family ties respectively. The most obvious advantage to doing business in India is the lower operating costs. In addition, the Indian market is filled with qualified professionals who can be hired at cheaper rates than in countries like the U.S. (Wadhwa, 2011).

The waning economic fortune of the U.S. has prompted many young entrepreneurs to look closer to home for investing in business ventures. Most analysts believe that India offers an untapped market that is open to experimental and innovative ideas. Furthermore, the middle class now has the money to indulge themselves. Unlike ten to twenty years ago, entrepreneurs have greater access funding which reduces their operating costs and makes it easier for them to open businesses. Previously, young graduates used to work in Silicon Valley and use the money earned there to make their startups. Now, there are people and institutions that realize the importance of entrepreneurship and are willing to invest in promising ventures (Vaidyanathan, 2011).

CONCLUSION

India's rise as an economic powerhouse has been one of the most encouraging stories of the last twenty years. For a country that long suffered from poverty, poor infrastructure and corrupt governance, the success of entrepreneurs both at home and abroad proves that there is significant pool of talent available. Corruption remains a pressing problem as the corporate sector has been

hit with a number of scandals that have damaged India's reputation within the international business community.

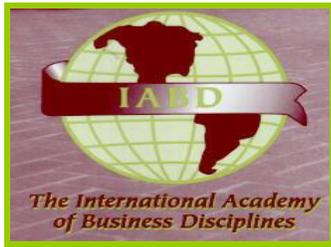
However, what should be encouraging for the country is the fact that a number of Indian entrepreneurs are returning home from abroad. This shows that India is becoming more open to the idea of entrepreneurship and that the public is willing to indulge in different products and services. Furthermore, India has showed that entrepreneurship can be an antidote to old divisions along the lines of class, caste and religion. The desire to improve the country's economy and to compete with the Western nations has united ambitious individuals from all walks of life and will be the catalyst for future success.

India has long possessed the antecedents of macroeconomic success in general, and entrepreneurial vigor in particular. The country has had a mixed bag of strengths and weaknesses with which to fulfill the promise of dynamic development. Recent history has seen the results of harnessing the economy's strengths. While obstacles remain, the path of proven developmental policies is clearer now than before, and the hope of continued entrepreneurial success is firm.

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