

## Factor Affecting Entrepreneurial Growth in India: A Study

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### Abstract

The secret of the success of most developed countries is the presence of a large number of dynamic entrepreneurs who provide the fillip for newer and better inventions. The less developed countries, on the other hand, are confronted by a situation here the entrepreneurs just do not seem to come; those present tend to leave their countries in search of better opportunities.

**Key Words:** Success, Inventions, Brain-drain, Entrepreneur, Production

The countries of the world are experiencing an unprecedented burst of inventions. Even the least developed of nations making conscious efforts in encouraging research and development. While the developed countries have the record of commercializing these inventions either lying idle or flowing out to the more prosperous nations<sup>1</sup>. The proverbial “brain-drain” that is affecting countries like India due to the absence of the necessary infrastructure to capitalise on the numerous inventions that are taking place. This essential wherewithal is provided by the entrepreneur of the country. The secret of the success of most developed countries is the presence of a large number of dynamic entrepreneurs who provide the fillip for newer and better inventions. The less developed countries, on the other hand, are confronted by a situation here the entrepreneurs just do not seem to come; those present tend to leave their countries in search of better opportunities. The economically backward nations are characterized by the scarcity of entrepreneurship<sup>2</sup>. Several inimical factors

are affecting the growth of this important factor of production.

Some societies- notably in the United States, South Korea and many south East Asian countries like Thailand and Singapore abound with entrepreneurs. Other like China and India have fewer entrepreneurs, although these countries recently changed their laws to encourage entrepreneurship. Countries like England, where many companies such as airlines and automobile manufactures have been operated by the Government, have in recent times turned these firms on to the private sector, encouraging entrepreneurship through new opportunities in private ownership. Other nations, such as Japan, though are bound by strong traditions, have in recent times started favoring entrepreneurship. Both economic and non-economic factors can affect the level of entrepreneurship within any society.

### Economic Factor

The economic factors that the growth of entrepreneurship in the less developed countries are the following:

- (a) Lack of Adequate Overhead Facilities: profitable innovations require certain basic facilities and services like transportation, communication, technical and economic information, supply of power, irrigation facilities etc. They provide external economies and improve the efficiency of investments by entrepreneurs.
- (b) Non-availability of Capital: Reduction of cost and maximizing at output are the twin objectives of an invention. Therefore inventions have a tendency to be capital oriented. The requirements of capital for innovation is especially large in less developed countries where most capital equipment have to be imported. Imports involve large shipping and insurance expenses. Even the basic expertise has to be imported.
- (c) Great Risks: Risks in business are greater in a less developed country than in a developed nation. Three reasons are given for this situation:
  - (i) There is the lack of reliable information on cost, size of the market, conditions of demand, overhead facilities etc. An entrepreneur cannot make correct estimates under these circumstances.
  - (ii) The market for goods and services is small. Ragnar Nurkse has pointed out that the lack of a strong domestic market inhibits new investments.
  - (iii) Less developed countries are characterized by instability in both domestic and foreign economic

policy. This discourages entrepreneurs. Several less developed nations are highly export-oriented nations depending on a few primary products. These products are subject to violent swings of prosperity and depression that originate abroad.

The entrepreneurs are thus faced with situations where the capacity of their plant and the size of their investments are placed at the mercy of unforeseeable events. Moreover, the entrepreneurs face instability caused by seasonal fluctuation. In these circumstances of uncertainty and risks, entrepreneurs have a tendency to prefer short-term investments to long term industrial ventures. The theory states that people with the high need for achievement are distinctive in several ways. They like to take risks and these risks stimulate them to greater effort.

### **Social Factors**

Social factors can go a long way in encouraging entrepreneurship. In fact it was a highly helpful society that made the Industrial Revolution a glorious success in Europe. It will not be wrong if one says that favorable social factors that prevailed in Europe during the 17<sup>th</sup> and 18<sup>th</sup> centuries following the "Renaissance" that led to the very emergence of the "entrepreneur" as a factor of production.

A society that is rational in decision-making would be favourable to entrepreneurial growth. We can have a society

rational decisions regarding resource uses are based on empirical fact and critical scientific standards. It would be Non-rational if decisions regarding the use of capital, hiring of labour, designing of the products etc., are based on custom, tradition and transcendental powers. While rational behaviour is the order of the day in the developed nations, most of the less developed nations are characterized by a non-rational society which is inimical to entrepreneurship.

### **Cultural Factors**

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society. If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised; wealth accumulation as a way of life would be appreciated. In the less developed countries, people are not economically motivated. Monetary incentives have relatively less attraction. People have ample opportunities of attaining social distinction by non-economic pursuits.

### **Personality Factors**

According to Schumpeter, the social atmosphere in advanced capitalist societies is becoming inimical to entrepreneurship. In the less developed countries the entrepreneur is looked upon with suspicion. The result is the personality of the entrepreneur has got greatly affected. Public opinion in the less developed nations sees in

the entrepreneur only a profit maker and an exploiter. Further many of the less developed nations had the mortification of being exploited by foreigners for centuries. The people and their leaders therefore tend to see in the entrepreneur a suspect personality.

### **Psychological and Sociological Factors**

Psychological and sociological factors are not always easy to distinguish. So in this analysis they are considered together.

### **The Theory of Need-Achievement:**

This theory was put forward in the early 1960s by David McClelland is regarded as the most important psychological theories of entrepreneurship. According to McClelland "need achievement" is social motive to excel that tends to characterize successful entrepreneurs, especially the reinforced by cultural factor. He found that certain kind of people, especially those who became entrepreneurs, had this characteristic. Moreover, some societies tend to produce a larger percentage of people with high "need achievement" than other societies. McClelland attributed this to sociological factor. Difference among societies and individuals accounted for "Need achievement" being greater in some societies and less in certain other. Analysing this phenomenon, Paul Wilken has said, "entrepreneurship becomes the link between need achievement and economic growth," the latter being a specifically social factor.

### **Psychosocial Theories:**

There are several other researchers who have tried to understand the

psychological and sociological roots of entrepreneurship. One such individual Everett hazel who stresses the psychological consequences of social change. Hazen says at some point many social group experiences a radical loss of status. He gives the example of Catholic France where Protestants were tolerated in the 17<sup>th</sup> century, but subjected to legal and social persecution. There are many ways of responding to such a loss of status. Hazen categorizes them into retreatism, situationism, innovation, reformism and rebellion.

Retreatism is the most important in promoting entrepreneurship. At first there is confusion in the ranks of those persons who have lost their status. But soon the women of such groups start holding high expectations about their sons. These sons

would grow up with high need-achievement. Since the law or social attitudes prevent them from seeking the usual forms of achievement like political office or owning land, they seek other outlets for their abilities. Business happens to be the only outlet available and consequently a group of highly motivated and achievement-oriented individuals are created.

Other psychosocial theories of entrepreneurship stress the motives or goals of the entrepreneur. Cole is of the opinion that besides wealth, entrepreneurs seek power, prestige, security and service to society. Stepanek points particularly to non-monetary aspects such as independence, personal self-esteem, power and regard of the society.

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