

Entrepreneurship Promotion : Are We Making Enough Efforts In This New Era Of Business?

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ABSTRACT:

Poverty and unemployment are two major challenges in India's development. Creation of employment can be answer for dealing with poverty and unemployment. Due to the demographic dividend now India has large section of population who is in working age and it becomes challenge to provide the employment to them. The entrepreneurship can be one effective alternative to deal with the employment issue. Entrepreneurs not only create employment for themselves but for others as well. Entrepreneurs can be effective drivers in the new age of business environment. Entrepreneurs are also innovative in terms their ideas of doing business and use of resources.

Recently the Indian government is implementing the programmes like NRLM and skill development etc. These are the efforts to create entrepreneurship especially in rural areas. Only financial inputs many times are not enough to promote business activities. However the entrepreneurship needs favourable entrepreneurial eco- system for flourishing. It is found that the entrepreneurs face lot of problems .

This paper is based on the discussions with several entrepreneurs from rural and urban areas and takes review of the constraints faced by them and suggest the kind of entrepreneurial eco-system required by the entrepreneurs to make them effective business drivers .

Key words: entrepreneurial eco-system, promotion of entrepreneurship , constraints in entrepreneurship

Introduction:

Poverty and unemployment are two major challenges in India's development. Due to demographic dividend now India is known to be the country of young people. There is 62% population in the working age [15-59 years] and more than 54% will be below 25 years . Creation of employment can be answer for dealing with poverty and unemployment. The challenges is also providing employment to this huge working age population.

For creating more employment entrepreneurship is one of the effective alternative. Entrepreneurs not only create employment for themselves but for others as well . Entrepreneurs have potential to bring changes in the economy. They bring wealth and prosperity for them and for others as well. The entrepreneurs are also important in any economy as they use resources innovatively. However the data suggest that India is not doing well in terms of entrepreneurship. The Global Entrepreneurship Index [GEI,2015] has ranked on 104 which is far below than other BRICS countries like China -61, Russia-70 and Brazil 100. The entrepreneurship involves lot of risks as many times the entrepreneur is testing new idea and hence in country like India the entrepreneurship is not appreciated by families and preference is given to the secured jobs. This was also proved by the recent study [2013] known as Global Entrepreneurship Monitor [GEM] . The study indicated that only 61% adults in the age group of 18-64 think entrepreneurship as one of the career option and this indicator is also low as compared to the other countries in BRIC group. Does it indicate that we are not able to provide the conducive atmosphere to flourish entrepreneurship in our country? Entrepreneurship will develop only if there is effective entrepreneurial eco -system. C. K. Pralahad [2005] defines an entrepreneurial ecosystem as a framework that allows private sector and social actors, often with different traditions and motivations, and of different sizes and areas of influence to act together and create wealth in a symbiotic relationship. The Cambridge dictionary defines symbiotic relationship as a relationship between people or organizations that depend on each other equally. The entrepreneurs has to depend on different entities in economy as well as in market. In other words it can be said entrepreneurial eco-system is a conducive environment which motivates individuals to explore their ideas .

Planning commission of India in its report on Angel Investment [2012] has stated that the entrepreneurial eco-system consists of 1] policy and regulatory environment 2] End consumers 3] Demand of funds 4] supply of funds 5] hard infrastructure 6] culture supporting entrepreneurship 7]Educational institution

For country like India it is important to see how we are making efforts to promote the entrepreneurship in rural areas and semi urban areas where moe population is concentrated. Secondly due to over burden on agriculture in terms of providing employment, it is necessity to promote entrepreneurship , it will also help to find solutions to multiple social problems in the field of education, health , energy and related to environment. Promotion of entrepreneurship will also help to diversification from agriculture. Within agriculture also lot of opportunities exists which will help for more employment creation . Other opportunities in terms of dairy and poultry development , promotion of tourism are also emerging in new economy. It is needed that we motivate people to take advantage of this changing environment which will promote entrepreneurship development.

Recently the Indian Government is making lot of efforts to create the employment and reduce poverty through variety of efforts especially through National Livelihood mission , vocational skill development etc. The paper tries to explore to find out whether entrepreneurial ecosystem is favourable for the entrepreneurs in rural and semi -urban areas.

Objective:

1. To explore the constraints faced by entrepreneurs and to assess whether the entrepreneurial eco-system is favorable to promote enterprises and sustain entrepreneurship.

Literature Review :

There are many studies which are focusing on understanding the constraints faced by the entrepreneurs. The constraints faced by the entrepreneurs reflect various components of entrepreneurial eco-system. A study in Pakistan[2013] covered 120 selected women entrepreneurs with snowball sampling from Bhawalpur area . The problems reported by the entrepreneurs were getting finance, marketing,getting appropriate personnel, lack of family supports and conflicts, , time, nonavailability of raw material, shortage of electricity , lack of community support, shortage of working capital and problems related to technology. Another study in Pakistan covered [2015] 375 women entrepreneurs from Sindh province in Pakistan. This study also reported similar problems like lack of family cooperation, lack of encouragement form the society, , lack of knowledge and skills , lack of training, lack of credit , poor financial management, inaccessibility of place of work , difficulties in transport facilities. G. Murugesan[2014] pointed out similar problems of entrepreneurs in India like access to start-up finance, working capital management, no management skills due to lack of previous experience, lack of confidence and problems in marketing etc. A study by Selvamani and K. Uma[2015] had done the SWOT analysis of women entrepreneurs and under weaknesses reports similar problems like lack of knowledge in marketing and technical aspects , lack of effective business idea, limited marketing, limited risk taking , no skills for crisis management. A study by M.P.Naik had sample of 250 women entrepreneurs from three districts in Karnataka and listed variety of problems like marketing , lack of standardization, poor design and quality , competition and society's attitude to doubt the quality of product made by women entrepreneurs etc. A study by Rupali Khaire [2012] covered 700 women entrepreneurs in seven regions of Maharashtra. It reflected different constraints faced by women entrepreneurs like limited mobility, lower education complexity of financial instruments, lower technical and business know-how, , etc. A study in Himachal Pradesh [2007] covered 100 entrepreneurs and stated problems like financial problems , marketing problems , production related problems , competition etc. A study by Nagesh Kumari (2010) covered 100 entrepreneurs in Coimbatore. The study showed problems like raising finance from banks, difficulties in marketing their products and services , lack of information about government schemes, lack of skills to think beyond present products and services and lack of training in managerial skills etc.

The above literature review shows that the problems faced by entrepreneurs show that the entrepreneurs face lot of problems from getting finances, marketing, technology related issues, transport, lack of support from family and society in general. These problems are faced by entrepreneurs from nearby countries, and most of the entrepreneurs have similar experiences in different parts of India. It shows that very negative environment exists for the entrepreneurs.

Methodology

This paper is based on two studies.

- 1] Case studies of 15 Entrepreneurs who started activities after skill development in Maharashtra [2013].
The entrepreneurs who had received the skill development training from RSETI [Rural Self Employment Training Institute] were selected . The trainees were carefully selected to ensure that they had got sufficient time to incubate their entrepreneurial activities. The detail case studies were made based on the in-depth interviews of entrepreneurs. The focus was to understand the process of starting the activities and constraints faced in the process and after starting the activity.
RSETIs are the training institutes managed by nationalized banks where some funds especially for infrastructure comes from central and state government and other funding is by the concerned banks. These institutes along with skill development[related to one trade] also focuses on other skills required by the entrepreneurs.
The in-depth interviews were conducted with the entrepreneurs , visits were made to their units and the available records were checked.
- 2] Other source of data comes from the In-depth interviews and focus group discussions with the entrepreneurs in different districts in Maharashtra [2012-15]. It was a mixed group of entrepreneurs who had received financial support under different schemes like SGSY [Now revised as National Rural Livelihood Mission] who were mostly women. Some others entrepreneurs had started their activities through other support or own funds.

Discussion

From the narrations of all the entrepreneurs it is evident that the entrepreneurship was not a easy journey for them but the road was very difficult and without much hand-holding support. These difficulties show the linkage with the components of entrepreneurial eco-system. The difficulties shared by them can be classified as below.

Table 1: Components of Entrepreneurial Eco-system and constraints faced by Entrepreneurs

Components of Entrepreneurial Eco -System	Constraints faced by Entrepreneurs
Policy and regulatory environment	Getting licenses and registrations ,complicated loan procedures, lack of standardization of products
End consumers	Changing demands and changing buying behaviour and customer care practices, lack of market, limitations to invest money on advertisement
Demand of funds	Putting own funds-no exploration with financial services [limitations on upscaling]
Supply of funds	No preference to bank loans, Lack of timely supply of credit ,lack of capital , complicated loan procedures and negative
Hard infrastructure	Transport and exposure to latest technology
Culture supporting entrepreneurship	Hand-holding support , lack of assets to give collateral , issues related to middle men and reduction in profit ratios
Educational institution /training	Need refresher training , lack of skills in record keeping etc.- to prove the scale of activity, hand holding support, poor designing of products

Brief about the entrepreneurial activities covered

The activities of the entrepreneurs who started after skill development were solar water heater repairing and maintenance, photography, tailoring and embroidery units , beauty parlors , computer and hardware repairing and maintenance , boutiques , mobile repairing . These activities were mainly concentrated in rural and semi-urban and urban areas . The size of investment varied from Rs. 6000 to 6 lakhs.

The other group of entrepreneurs who were covered under the study had variety of activities like spices production , pickles and chutney production, plant nursery activities , food supply , catering services , poultry and dairy related activities , ready-made garment shops etc. These activities were mostly concentrated in rural and semi-urban areas and some of them were group activities however majority were individual activities. Most of the entrepreneurs had availed some government schemes and got some financial support for investment. The size of investment ranged from Rs. 50,000 to 6 lakhs.

The literacy level of entrepreneurs for both the groups varied from illiterate to graduation .

Entrepreneurial eco- system and constraints faced by the entrepreneurs

1. Policy and regulatory Environment:

The major problems reported by the entrepreneurs were getting licenses and registrations ,complicated loan procedures, lack of standardization of products. Most of the entrepreneurs were not having knowledge about getting licenses and registrations required for their enterprise. There is also not a single agency which will give them this kind of information like getting licenses from different agencies. They also need technical knowledge like in case of food products how to get the shelf life of the product tested and how to decide the expiry date of the product. Similarly they also lack information that which kind of standardization tests are possible depending on the type of product. As their products are not having the standardization many times they fail to compete with the other player who already exist in the market. Some entrepreneurs reported of paying huge amounts to get these kind of registrations and licenses to the middlemen or some agencies .

It was found that most of the entrepreneurs whose entrepreneurial activity is of micro level they need more working capital than investment capital. Most of them reported that they have found it difficult to get loans from banks.

Even for big size loans the entrepreneurs have reported that they have to spend lot of time and energy to get the loans from the banks. Some of them also reported that they had to drop the idea of getting loan from the bank as the bankers were not able to understand the viability of their business and the complexities in fulfilling certain procedures. One may argue that in this era of internet it is easier to do certain procedures. However here the literacy levels and

skills in using such technology are limited.

On the other side especially the women entrepreneurs who got financial support under SGSY and NRLM scheme it was comparatively easier procedures and also had not to give collateral. It means that such kind of group approaches are more useful for the women entrepreneurs. On the contrary the women who had individual activities and tried to get loans faced lot of difficulties in getting loans.

2. End Consumers

The consumers are the most important component of the entrepreneurial process. The entrepreneurs shared that the changing demands of the consumers affect their business activities. The buying behaviour is also changing. The customer care practices have become necessary in today's competitive world. The entrepreneurs need to have knowledge about the changing trends in the consumer behaviour. Some entrepreneurs reported that when they adopted new practice of customer care like having telephone number or having email has improved their business. All most all the entrepreneurs shared that they do not have money to invest in advertising which would definitely improve the market for their products, they need the knowledge on how to do publicity of their products with minimum investment. They mostly have to depend on mouth publicity which puts lot of limitations to widen the customer base.

3. Demand of Funds:

Any financial system will think to respond to the demand for more supply of credit. It was reflected that the individual entrepreneurs were not keen to go to the banks and other financial institutions as they could not get most of the documents required also they had very limited assets and had no capacities to give guarantee and they preferred to use the informal sources of getting the financial support for investment or tried to use their own savings etc. In such situation upscaling of activities puts lot of limitations and the enterprise will not generate enough profits and the entrepreneur will not be able to address the changing needs of an enterprises in terms of using updated technology etc. Hence it is necessary that the entrepreneurs demand more credit and the suppliers of credit will have to create the conducive environment.

4. Supply of funds/finances for enterprises

The supply of funds or financing for enterprises is key input. However the analysis of investment pattern of the individual entrepreneurs show that very few had gone to banks and such financial institutions to get the supply of finances. Out of 15 cases only three had availed the bank loans. Some of the individual entrepreneurs have shared that they had negative experiences with bank. The major constraints reported by the entrepreneurs were lack of capital and lack of timely supply of credit, complicated loan procedures. Thus most of the entrepreneurs end using own resources for business activities. Thus it suggests that for supply and timely supply of credit there is need to have some innovation and at the same time the user friendly atmosphere in financial services is highly required.

5. Hard Infrastructure

Lack of exposure to latest technology, lack of skills to use the technology like internet and lack of effective transport facilities are some of the key issues related to infrastructural facilities. Transport especially poses difficulties in reaching out to market and for accessing raw material especially for the rural entrepreneurs.

6. Culture of Supporting Entrepreneurship

Culture plays important role in promoting the entrepreneurship. Entrepreneurship involves lot of risks and our culture is not supportive to risk taking. The secured jobs are given preference and many times the innovative ideas of the entrepreneurs will not get supported. The women entrepreneurs especially face lot of problems to get family support. Similarly due to patriarchal nature of society the women will not own assets and will not be able to give collateral. Similarly settling in the male dominated market for finished products and also the market of raw material. The women entrepreneurs had to spent lot of energy and resources in settling the raw material market as well as marketing of their own products. The issues of middle men in both type of markets and there by reduction in profit ratios was one of the major constraints. For the persons from rural and semi-urban areas the hand-holding support till their enterprise get settled and even after that to compete in the market from different perspectives is required. There are very agencies at present very few such agencies who will support to entrepreneurs. Especially who take initiatives under some governmental scheme for them there is no such guiding support to face the challenges of establishing and managing the enterprises.

7. Educational and Training Institutes

All most all entrepreneurs covered under these two studies reflected the need of project management skills. For

making the enterprises profitable it is highly required that the effective management strategies are used. The need of skills like proper record keeping was also obvious. Inefficient record keeping does not support to prove the scale of the activity which is highly required to prove the a scale of activity. Proving the present scale of activity is required when there is demand for credit to upscale the activity. Poor designing of product, lack of knowledge and skills in proper product designing and packaging also gives set back to the profits. It was found that the entrepreneurs learned many lessons through trial and error, but could not get the professional advise which was required. The process of trial and error has negative impacts in terms of wastage of resources and demotivation. The hand-holding support system is highly required for entrepreneurs having small investments and who are from rural and semi-urban areas.

Learnings from these two explorations:

These two explorations with the entrepreneurs suggest that many initiatives can be taken up for strengthening the present entrepreneurial eco- system.

1. We need to create positive policy and regulatory environment for entrepreneurship. Especially standardization processes and licensing should be made easier which would help the entrepreneurs to sustain in the market. Guidance services for such processes are urgently required. Easier procedures to get finances are also required urgently.
2. The training about changes in the market trends and latest practices in buying [like on- line purchasing] and newer practices in customer care is required.
3. The entrepreneurs should be motivated to demand more and more credit which would help to grow and sustain the business activities.
4. Overall improvement in terms of access to technology and development of skills in using the technology is equally required.
5. Strengthening of the present schemes to promote women entrepreneurs is also required.
6. The entrepreneurs from rural and semi-urban areas need continuous support and hence creating centers to provide the business development services or credit plus services is the need of time. The educational and training institutes need to take innovative steps to reach out to the entrepreneurs and provide them skill development training regarding various components of management of the entrepreneurial activities. Similarly there is need to create entrepreneurial attitude and skills among the youth through educational and training programmes.

Some Efforts to promote entrepreneurial eco -system :

Now some technology and as well as social sciences educational institute have started some innovative programmes. These institutes also have started Incubation centers to provide handholding support to budding entrepreneurs. Tata Institute of Social Sciences and some other institutes also have started the educational programmes on social entrepreneurship. It is an effort to train the youth to take entrepreneurial activities to solve some social problems it also support the development of venture activities through Incubation center. Deshpande Foundation also is involved in similar efforts.

Considering the need to support in terms of funding to the entrepreneurs who have innovative idea, the recent initiative like National Conference on Innovation organized at Pune needs to be mentioned. It provided the platform for sharing of innovative ideas of entrepreneurs and link them funders and innovators.

Along with such efforts more incubation centers, more guidance cells for providing business development services are highly required to create the effective entrepreneurial eco-system. As now CSR spending has become mandatory promotion of entrepreneurship development can become one of the major agendas for corporates.

Conclusion:

Recently Indian Government is taking initiative to promote the entrepreneurship and skill development, however the focus should be on rural and semi -urban areas. Merely financing will not help but the overall eco- system for entrepreneurship needs to be strengthened. More number of incubation centers will be required which will provide the hand-holding support to up-coming entrepreneurs.

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