

# Entrepreneurship in India: Motivation and Economical Impacts

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**Abstract :** The focus on promotion of entrepreneurial activities has been always crucial for economic development of the successful nation. Entrepreneurs are the leaders who innovate and invent ideas that give stimulus to economic growth activities. In the modern era, entrepreneurship is a key determinant of sustainable growth. Literature explains different types of entrepreneurs that are dominant in explaining the economic growth. This study investigates several inhibitors of entrepreneurship in the perpetual economy of India. Study further explores the different motivators of entrepreneurship and examines the impact of those entrepreneurial motivators on economic growth and employment. A focus group interview was conducted with entrepreneurs in 2017. In general, factors that enrich entrepreneurship include encouraging social entrepreneurship, improving institutional environment and supports from international organisations. For growth of the country practical implications has been identified, such as improving institutional development, creating supportive business environment, and promoting social entrepreneurship.

KeyWords: Entrepreneurial motivators, institutional development, sustainable

## I. INTRODUCTION

Entrepreneurship has been evolving as a crucial factor in development and social well-being according to academicians and economists. Business activities could be driven by innovation, efficiency or factors according to Porter et al. [2]. It yields in better employments, structural change acceleration and adaptation to innovation. It also brings healthy economic competition to promote quality and productivity through economies of scale.

The domain of entrepreneurship has been designed by three formalised facts. First, entrepreneurship (business ownership) enhances economic growth (Carree and Thurik 2003). However, entrepreneurship (business ownership) not always stimulates growth (Audretsch and Thurik 2001) researched that entrepreneurial activity by promising entrepreneurs and business owner/managers of young industries is positively connected to economic progress for countries with a result of high level of per capita income. Second, bigger firms with the high-growth contribute more to economic growth in comparison to small, new firms (Mason 1985; Friar and Meyer 2003), Third, while there is a surplus of policy procedures on entrepreneurship (Stevenson and Landstrom 2001; Landstrom and Stevenson 2005), and while high-growth firms are prominent on the schema of policy-makers (Fischer and Reuber 2003; European Commission 2003), but hardly any scientific attention/ research has been devoted to the diversity of entrepreneurs in terms of their aspirations to growth. Author identified and studied existing literature to understand characteristics and definitions of entrepreneurs. Fig. 1 gives the glimpse of entrepreneurship in India pictorially.

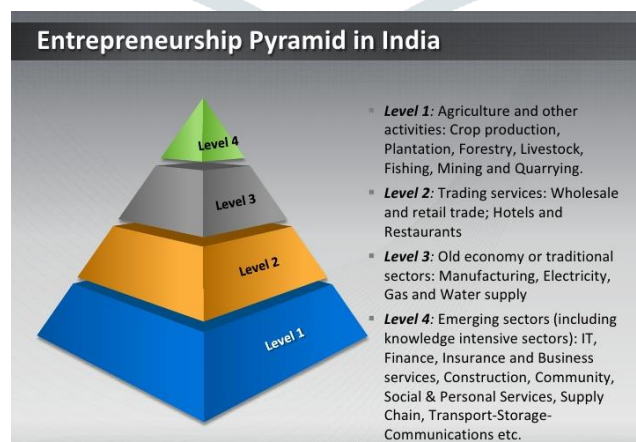


Fig. 1 Entrepreneurship pyramid in India

Above mentioned definitions and characteristics give brief idea about qualities possessed by entrepreneurs. These are not only the characteristics possessed by them that leads to economic growth of the country. Literature supports that quality of entrepreneur and economic development also dependent upon institutional settings where they are operating. New insights have been provided for innovations in India or other developing countries all over the world to take steps forward while integrating these concepts into

materialism, policy making and best practices. In [1] a new term jugaad (pronunciation ju-gaar) has been coined to describe an inclusive, flexible and frugal approach for entrepreneurship and innovation in India. Various organizations have been examined that involve in jugaad while considering their strengths and weaknesses to engage in innovation. Then jugaad can be incorporated in contemporary innovation and theoretical agenda for future researches and business potentials. The basic reasons for the entrepreneurship are given in Fig. 2.

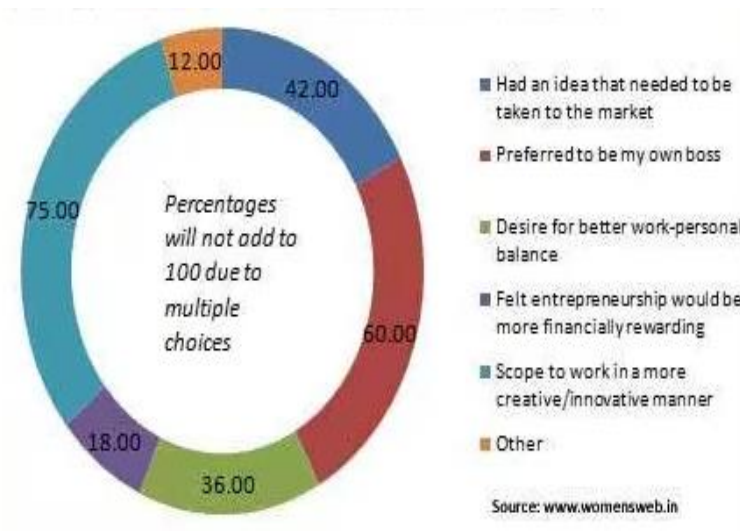


Fig. 2. Reasons for entrepreneurship

From figure 3 one can infer that an entrepreneur must possess six key elements and every element plays equally important role in shaping and building an organization. First key element is an entrepreneur is the one who quickly recognizes the opportunity or creating the opportunity by innovating and then identifies associated risks that leads into correct actions with the efficient use of resources and results into added value. According to Filion, L.J. (2011), “Entrepreneurs are dreamers who do” or “Entrepreneurs are doers who get results”. Fig. 4 gives the quantitative analysis of women entrepreneurs in different states of India.

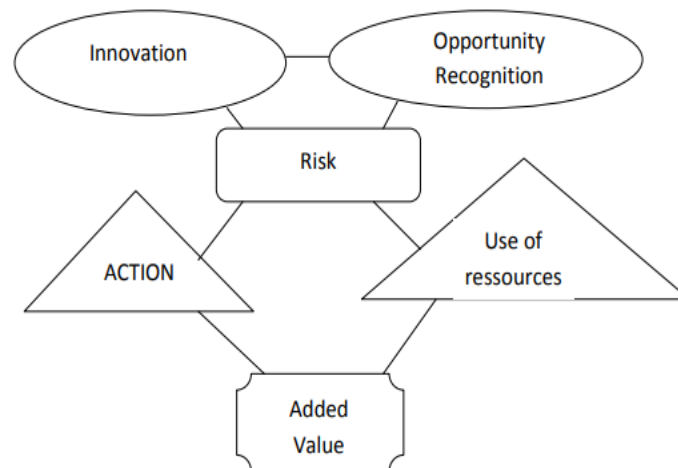


Fig.3 Main elements used to define the entrepreneur

| States             | No of Units Registered | No. of Women Entrepreneurs | Percentage   |
|--------------------|------------------------|----------------------------|--------------|
| Tamil Nadu         | 9518                   | 2930                       | 30.36        |
| Uttar Pradesh      | 7980                   | 3180                       | 39.84        |
| Kerala             | 5487                   | 2135                       | 38.91        |
| Punjab             | 4791                   | 1618                       | 33.77        |
| Maharashtra        | 4339                   | 1394                       | 32.12        |
| Gujrat             | 3872                   | 1538                       | 39.72        |
| Karnatka           | 3822                   | 1026                       | 26.84        |
| Madhya Pradesh     | 2967                   | 842                        | 28.38        |
| Other States & UTs | 14576                  | 4185                       | 28.71        |
| <b>Total</b>       | <b>87,462</b>          | <b>18,848</b>              | <b>32.82</b> |

Fig. 4. Women Entrepreneurs in India [33]

### Types of entrepreneurs

The entrepreneurs are basically divided into 4 types (Fig. 5) which are described below:

1. **Innovative Entrepreneur:** innovative are the ones who have focus on inventing new ideas, product, process or method and establishing the company structure. These people come up as an industry leaders and significantly contributes towards growth of the company as well as economic development of the nation. One of the quality of these people is they are ready to take risk and ready to try new changed process.
2. **Imitating Entrepreneurs:** The imitating entrepreneurs are the ones who actively copies and implement the inventions made by the innovative entrepreneurs. They themselves don't indulge into making new inventions but are very good in imitating the technological process and methods developed by others. These people are best suitable for underdeveloped regions so that they can easily implement the inventions of developed regions and can bring fruitful results for their organization.

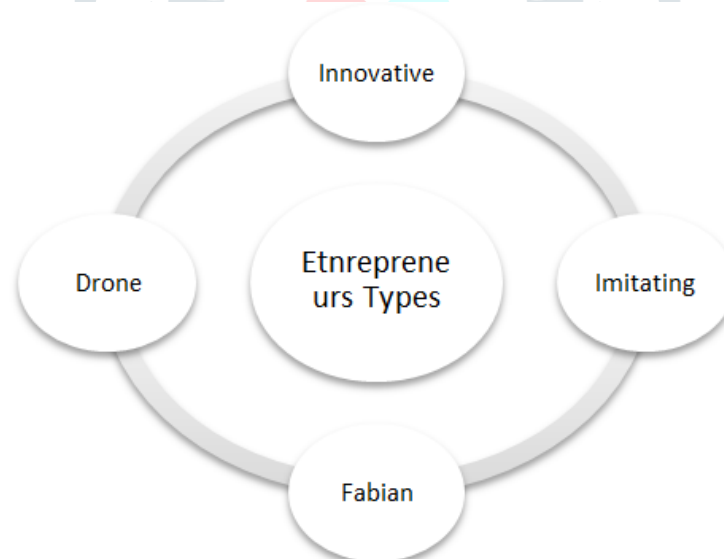


Fig. 5 Types of entrepreneurs

3. **Fabian Entrepreneurs:** These entrepreneurs are always doubtful about the changes to be made in the process of the organization. They are not ready to initiate any invention but slowly follows the success of the process. Once the invention is successfully implemented by others then only they accept the invention for their organization. The basic trait of fabian entrepreneurs is to avoid losses.
4. **Drone Entrepreneurs:** These entrepreneurs are hard to convince for any change as these are very much conservative or reserved in nature. As they avoid change so it's very hard to change organizational set up, product or process under their guidance.

Thus, the type and nature of entrepreneur matters a lot in defining future of the organization. In a similar way growth of the economy is also dependent upon what kind of business model adopted by the organization and type of entrepreneur behind that change. So quality of an entrepreneur to innovate and willingness of an entrepreneur to accept and create the change determines future of the organization. Innovative entrepreneurs and imitating entrepreneurs are required for improving institutional development, creating supportive business environment, and promoting social entrepreneurship.

### 3. Theoretical shift from Economic

Inevitability to Entrepreneurial Contingency

The explanations for the creations of firms organizations and markets which require the notion of effectuation are being discussed [32]. Effectuation is based upon the logic of control and causation is based upon the logic of prediction. It has discussed business examples along with empirical

evidences about the concepts of effectuation. The causation process is effect dependent phenomenon and effectuation process is based upon the actor. Following are few attributes for effectuation:

- Selection criteria dependent upon a limited amount of risk
- Exploiting contingencies efficiently
- Explicit trust on dynamics
- Ecological and non-linear environments

A detailed table for the key contrast among causation and effectuation has three columns (a) Categories of differentiation (b) Causation processes (c) Effectuation

processes. For example if the differentiation is about decision making, then causation process chooses the means to achieve the given effect and effectuation finds out the possible effects which can be extracted out from given means. In order to identify the connections between various works and effectuation theory, the author have reviewed research models by Weick, Mintzberg and March. Moreover, few experimental models which are considerably different than older and standard models have also been analyses with details. In the paper following four principles have been considered for effectuation and then a set of testable hypothetical cases have been discussed:

1. Affordable loss
2. Strategic alliance
3. Control of uncertain events of future
4. Exploit contingencies

Different level of stages are explored for the effectuation role through these testable hypothesis.

These levels are decision makers or founders, the firm, industry or market and the economy. This analysis concludes that imperative agent for the entrepreneurship is the effectuate by laying out the effectuation theory concepts and examples. Locus of focus has been for the creation of various firms in context of non-existent and hypothetical markers for the study of theory of effectuation reasoning. So basically if the set of given means is considered to select among the possible effects which can be formed with those set of means is the underlying concept of effectuation. It has been emphasized that effectuation processes are not considered in the research as more efficient than causation system of processes. Instead, the circumstances under which a particular type of system belief would be appropriate as far as the pros and cons are concerned for causation and effectuation.

As an example, Curry in a Hurry example has been analyses in a way that if a business is clearly looking forward to build a specific type of restaurant, then causation process is a natural choice. On the other hand, if the owner has only a generalized aspiration of building a restaurant business while considering relatively limited access to the available resource, then effectuation process model is a better fit for the efficiency. There are four basic principles to form the core of a fundamental theory of effectuation:

- (a) Affordable loss instead of expected returns
- (b) Strategic alliances rather than competitive analysis
- (c) Exploitations of contingencies over preexisting knowledge
- (d) Managing the unpredictable future instead of uncertain future.

In order to identify the connections between various works and effectuation theory, the author have reviewed research models by Weick, Mintzberg and March. Integrating the theoretical models by Weick, Mintzberg and March on the concept of effectuation has also been presented. Weick focused on enactment an living forward, Mintzberg believed in compiling the evidence against prediction and planning and March explored the challenges to preexistent goals. The following key points have been addressed:

- a. A logic of control instead of prediction
- b. Endogenous goal creation
- c. A partially constructed environment

Connections with other non linear approaches and philosophical underpinnings of causation have also been touched in this research. Aristotle stated that there are four major causes to all phenomena: material cause, efficient cause, formal cause and final cause. To illustrate that, a simple example of house has been considered with key questions such as Why house? Aristotle said that there are four categories which flow out of this question according to his hypothesis:

- i. The material cause which means that the house is what it is due to its material.
- ii. Efficient cause explains that the house is what it is due to people who build it

iii. Formal cause explains that the house exists due to the architect's plan

iv. Final cause explains that house is what it is because of the owners and dwellers.

Two thought experiments have been analyses for causation and effectuation aspects, curry in a hurry and U-Haul. Entrepreneurs starts with basic three types of means, their own abilities and tastes, local corridors knowledge and their social networks. The paper has argued about explanations for the creations of firms organizations and markets which require the notion of effectuation. Effectuation is based upon the logic of control and causation is based upon the logic of prediction. It has discussed business examples along with empirical evidences about the concepts of effectuation.

#### 4. Conclusion

This study has provided evidence on the role of entrepreneurs in economic growth. For economic development of the economy innovators and imitating entrepreneurs plays a vital role. In particular to developing countries like India imitating entrepreneurs can be very helpful particularly in emerging sectors of India like : IT, finance, community, social and personal services, communication etc. Thus, the type and nature of entrepreneur matters a lot in defining future of the organization. In a similar way growth of the economy is also dependent upon what kind of business model adopted by the organization and type of entrepreneur behind that change. So quality of an entrepreneur to innovate and willingness of community and organisation to accept the innovation matters a lot.

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