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## India is the nesting ground for young entrepreneurs and new start-ups

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### Abstract

India has witnessed a decent growth in the development of new business start-ups and many of them are even successfully competing in the market. This paper explores the business environment and the various opportunities that lie in the country for developing own enterprises. Through the analysis of various environmental factors that facilitate the growth of entrepreneurship, this paper explains why the youth is being inclined towards setting up their own ventures in our country. By examining the data available on self-employment an attempt has been made to understand the progress of entrepreneurship in the country and the role of various support systems accelerating the growth of new enterprises.

**Keywords:** Entrepreneurship, enterprise, environmental factors, growth, nesting ground.

### 1. Introduction

With the introduction of the LPG (Liberalisation, Privatisation, Globalisation) policy in 1991 the face of Indian business environment has changed significantly. Before the introduction of the new policy anyone aspiring to set up a small scale or a large scale industry had to go through a very tedious process of licensing which discouraged many to take the initiative of setting up their own industry. However, the industrial policy 1991 abolished licensing for all industrial projects except 18 industries which was further reduced to only 6 industries in the amendments made in 1999. Another important announcement made under this policy was the de-reservation of industries that were earlier reserved for public sector only. The new policy seeks to limit the role of public sector and encourage private sector's participation over a wide field of industry. The next achievement of the new policy is in the form of globalisation. With globalisation, the opportunities for trade have increased by many folds. There has been expansion in not only volume of trade but also variety and investment in businesses.

However the objective of the industrial policy 1991 was to strengthen the economic conditions of the country, it played a major role in encouraging people to take initiatives in setting up their own businesses by widening the scope of both industry and trade.

When we talk of trade that is exchange of goods or services, or both we generally refer to it as *Business*. However another terminology in this context that has gained popularity is *Entrepreneurship*. A facet of modern day business is entrepreneurship. Although the concept and study of entrepreneurship has been around for decades, it has grown in understanding and has been redefined from "active risk taking" in the 19th Century to "the discovery and exploitation of profitable business opportunities" in the 21st Century (Wickham, 2006, pg 17).

Many of the times, the words entrepreneurship and small business are used interchangeably. However according to a few sources there is a very fine line between running a business and entrepreneurial venture. The term entrepreneurship has been derived from the French word "*entreprendre*" meaning "*to undertake*". Pursuit of opportunities, innovation and growth are the three themes of entrepreneurship. The tasks necessary for entrepreneurial behaviour can be accomplished by either an individual or a group. Such individuals or a group are known as entrepreneurs. In the words of *Joseph Schumpeter* (1934), the Austrian economist, "Entrepreneurs are innovators who use the process of shattering the status quo of the existing products and services to set new products, new services." There may be entrepreneurship in the context of an entrepreneur or team of entrepreneurs launching a new business.

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Established firms can also behave entrepreneurially. The established firms are proactive, innovative and risk taking. Since the industrial revolution in the country, the economic growth rate has increased significantly. This indicates the importance of innovation. Global society has been moving towards the growth of small businesses as they foster innovations and inventions – created by inventors and entrepreneurs. Although large companies possess all of the resources to develop ideas and refine them, they often are not the ones who create them.

India is a home to a number of successful ventures. The key behind most of their successes lies behind a fresh business idea which we refer as innovation. Though there are a number of success stories, only a few of them have become a part of our discussion here.

#### A few successful business cases

**Sachin & Binny Bansal:** It has taken Sachin Bansal, 32, a mere six years to build *Flipkart*, the country's best-known online retail brand. The IIT-Delhi alumnus started off with college friend Binny Bansal in a small flat in southeast Bangalore in 2007 with Rs 4 lakhs. The two, who are not related to each other, had worked in Amazon India for a few months before they launched Flipkart. Sachin, who leads the Bangalore-based ecommerce venture as its CEO, has battled scepticism and regulatory constraints to build a company that expects to post sales of \$1 billion, or over Rs 6,200 crores, by 2015.

**Radhakrishna & Raghunandan G:** Radhakrishna and Raghunandan G, both IIM-Ahmedabad graduates, launched *Taxiforsure* in 2011 as an online platform through which consumers can rent taxis. The company has partnered with around 25 cab operators in Bangalore and around 15 in Delhi, including branded operators like Mega Cabs and Cell Cabs.

**VG Siddhartha:** V G Siddhartha is the founder of *Cafe Coffee Day*. From humble beginnings, his popular youth hangout now has over 1400 centres across the country. He was awarded the Entrepreneur of the Year award in 2003 by Economic Times for 'giving Indian consumers a new lifestyle experience that is within reach of the common man.'  
**Dr. Kiran Mazumdar Shaw:** Dr. Kiran Mazumdar Shaw, Chairman & Managing Director of Biocon Ltd., who became India's richest woman in 2004, was educated at the Bishop Cotton Girls School and Mount Carmel College in Bangalore. She founded *BioconIndia* with a capital of Rs.10,000 in her garage in 1978 – the initial operation was to extract an enzyme from papaya. Her application for loans were turned down by banks then – on three counts – biotechnology was then a new word, the company lacked assets, women entrepreneurs were still a rarity. Today, her company is the biggest biopharmaceutical firm in the country.

**Mallika Srinivasan:** Mallika Srinivasan, currently the Director of TAFE- Tractors and Farm Equipment, India, was honoured with the title of Businesswoman of the Year during 2006 by the Economic Times. She joined the company in 1986 and has since been responsible for accelerating turnover from 85 crores to 2900 crores within a span of 2 decades.

#### Literature Review

In the study conducted by Dr. Deepti Maheshwari & Supriya Sahu (2013) <sup>[7]</sup>, it has come forward that the awareness

towards the path of entrepreneurship is now picking up a quick pace in our own country, and as a matter of fact is seen as one of the countries that is par excellence with the rest of the Asian countries as far as growing entrepreneurship is concerned. There are ample opportunities in small businesses in India and such opportunities will transform India in the coming future.

T. Swetha & Dr. K. Venugopal Rao (2013) <sup>[4]</sup> have elucidated the history of entrepreneurship in India. In their paper they have walked us through the journey of some famous and successful entrepreneurs. According to them, Indian entrepreneurs are more about overcoming barriers, obstacles, inspiring & surmount in their fields.

Dr. N. Santhi & S. Rajesh Kumar (2011) <sup>[6]</sup> explains that a country's economic policy environment must be favourable for organisations to achieve efficiencies in today's global market. According to them study of entrepreneurship is relevant because it helps entrepreneurs better fulfil their personal needs but because of the economic contribution of the new ventures. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place.

Ani Sur Rehman & Dr. Yasir Arafat Elahi (2012) have explained through their study the role of B Schools in promoting entrepreneurship. According to them, the B-Schools help in increasing knowledge base by identifying opportunities, and by pointing out ways to overcome barriers imposed by ones environment. They have a definite role in enhancing entrepreneurship by enlarging the pool of entrepreneurs in society. Therefore, the Indian government should take appropriate measures to promote and develop entrepreneurial education in India.

Cooper (1981) proposed that three factors influence entrepreneurship antecedent influences (i.e., background factors such as family influences and genetic factors that affect motivation, skills and knowledge), the "incubator organization" (i.e., the nature of the organization that the entrepreneur was employed in just prior to starting a business, the skills learned there), and environmental factors (e.g., economic conditions, access to venture capital and support services; role models).

S.S. Khanka (1996) <sup>[3]</sup> in his book *Entrepreneurship Development* illustrates the personal characteristics of successful entrepreneurs as hard work, desire for high achievement, high optimism, independence, foresight, good organising capacity, and innovativeness. According to the author, success of a small enterprise is, to a great extent, attributed to the success of the entrepreneur himself.

#### Objectives:

- 1) To ascertain the growth in the establishment of new enterprises in India over the past few years.
- 2) To analyse the factors that have facilitated the growth of entrepreneurship in the country.

#### Research Methodology

The data and information has been mainly collected from secondary sources like magazines, business newspapers, journals, periodicals, reports, text books and websites. The conceptual framework adopted to fulfil our objective here is firstly, identifying the factors affecting the growth of entrepreneurship in India. Secondly, analysis of number of EM-II filed by entrepreneurs and the advances by banks

outstanding to small enterprises to understand the trend in the growth of enterprises and entrepreneurs in our country.

**India – The nesting ground for young entrepreneurs and new start-ups**

*Nesting ground* refers to such a place where an object is provided with the kind of environment it requires for its growth and survival. There exist many environmental factors that support the development of entrepreneurship in a country. Some of the environmental factors that make India suitable for new ventures are listed below:

**Huge consumer market:** With an estimated total population of 1.22 billion, India supposedly offers a huge consumer market for any type of goods or services. According to a report by Global consultancy, Deloitte, "By 2020, India is projected to be the world's third largest middle class consumer market behind China and the US. By 2030, India is likely to surpass both countries with an aggregated consumer spend of nearly USD 13 trillion".

With such vast and diverse population entrepreneurs with creative and innovative ideas and the capabilities to take risk can reap off huge profits from their business. Thus, such a consumer base is definitely a blessing for entrepreneurs.

**Assistance from government:** India has not been primarily focussed on promoting entrepreneurship in the past, however recently it has taken considerable measures to promote entrepreneurship. Assistance from the government and credit facilities available are other important factors that encourage people to take up entrepreneurial activities.

Government of India has set up many national as well as state level organisations solely for the promotion and development of entrepreneurs and micro, small and medium enterprises. Some of these organisations are:

- a. National Small Industries Corporation (NSIC)
- b. National Institute for Entrepreneurship and Small Business development (NIESBUD), NOIDA
- c. National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad
- d. Indian Institute of Entrepreneurship (IIE), Guwahati
- e. Khadi and Village Industries Commission (KVIC)
- f. Small Industries development Organisation (SSIDO)
- g. District Industries Centres (DICs)
- h. Technical Consultancy Organisation (TCO) etc.

Though each of the above mentioned organisations perform their specific functions, but broadly all of them aims at the promotion of Micro, Small & Medium enterprises (MSMEs) especially for the creation of new enterprises by the entrepreneurs.

**Assistance from banks and other financial institutions:** Finance is one of the essential requirements of an enterprise. Without adequate funds, no business can be developed. In India, Central and state governments are promoting number of financial institutions to bring in the industrial development in the country. Some of the important financial institutions are:

- a. Industrial Development Bank of India (IDBI)
- b. National Bank for Agriculture and Rural Development (NABARD)
- c. Export Import Bank of India
- d. Small Industrial Development Bank of India (SIDBI)
- e. Industrial Investment Bank of India

f. Industrial Finance Corporation of India (IFCI)

g. Commercial Banks etc.

These institutions have special schemes for providing credit to potential entrepreneurs. They provide loans at concessional rates as well as on easy terms and conditions. Other than these they also provide support at different phases of entrepreneurship such as technical support or marketing support etc.

**Education system in India:** Education system in a country is another factor that influences entrepreneurial growth in a country. India is taking considerable measures to spread awareness about entrepreneurship and about setting up of new ventures amongst students at various levels. Different institutions are providing education, training, guidance to the emerging entrepreneurs. Entrepreneurship Development Institutes (EDIs) have been set up in different regions all over the country to educate and train entrepreneurs and to spread awareness about the same.

**Economic conditions & policies:** Economic condition of a country such as situations of inflation, appreciation and depreciation of a currency, economic policies concerning agriculture, manufacturing, services, foreign direct investment, taxation, infrastructure etc. have a great impact on the type and growth of entrepreneurship in a country. Even though the economic condition of our country has always been volatile but that is because of many national and international factors, it has never proved to be detrimental to the growth of entrepreneurship in the country. The policies such as The Industrial Policy 1991, decontrol of prices, reducing tariffs, opening the economy to foreign trade, banking and public sector reforms etc. have always been made in the favour of encouraging people to take up their own businesses.

**Others:** Other than the above environmental conditions, factors such as *availability of raw materials, healthy labour market, availability and type of land, favourable law and order situation, demand and supply gap, success stories of entrepreneurs, technological advancements etc.* make our country suitable for taking risk and running a successful venture.

To analyse if the above mentioned factors have actually accelerated the growth of new enterprises in India some data from different sources has been compiled and interpreted in the following section.

Subsequent to the implementation of Micro, Small and Medium Enterprises Development Act, 2006 with effect from October 2006 filing of Entrepreneurs Memorandum Part-I and Part-II came into vogue. Under the Act, Micro, Small and Medium Enterprises (MSMEs) are classified as under:

**Table 1.1:** Classification of enterprises on the basis of investment:

Enterprise (Type)	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Service)
Micro	Up to Rs 25 lakh	Up to Rs 10 lakh
Small	Above Rs 25 lakh up to Rs 5 crore	Above Rs 10 lakh upto Rs 2 crore
Medium	Above Rs 5 crore up to Rs 10 crore	Above Rs 2 crore up to Rs 5 crore

*Source: Entrepreneurs Memorandum Part (II) Data on MSME Sector, Ministry of Micro, Small & Medium Enterprises*

As per the provisions of the Act, MSMEs file Entrepreneurs Memorandum (Part-I) at District Industries Centres (DICs). After commencement of the project, the entrepreneur concerned files Entrepreneurs Memorandum (Part-II) / [EM-II]. Prior to enactment of the MSMED Act, 2006 there was a system of registration to small scale industrial units by the DICs. Filing of EM-II is discretionary.

The following table shows State/UT-wise distribution of number of EM-II filed during 1<sup>st</sup> April, 2007 up to 31<sup>st</sup> March, 2014.

**Table 1.2:** Growth in the number of enterprises on the basis of EM-II filed:

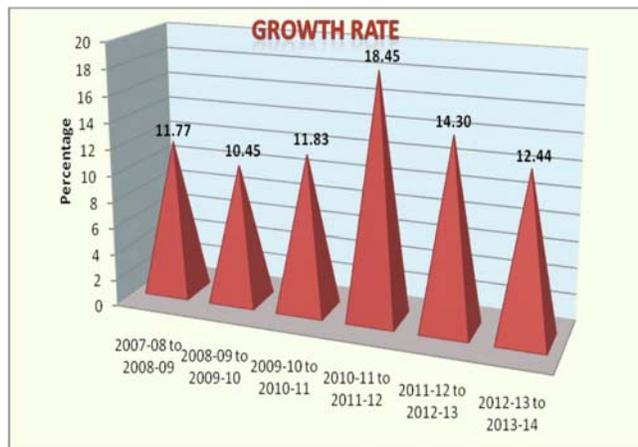
Year	Number of EM-II filed	Increase in the number of EM-II filed from previous year	Growth rate of EM-II filed (%)
2007-08	172,703	-	-
2008-09	193,026	20323	11.77
2009-10	213,206	20180	10.45
2010-11	238,429	25223	11.83
2011-12	282,428	43999	18.45
2012-13	322,818	40390	14.30
2013-14	362,991	40173	12.44

**Source:** Entrepreneurs Memorandum Part (II) Data on MSME Sector, Ministry of Micro, Small & Medium Enterprises

From the above data we can analyse that average growth rate in the number of EM-II filed has increased constantly at around 11% up till year 2010-11. In the year 2011-12 highest growth rate of 18.45% was recorded whereas, in the yrs the growth rate came down to 14.30% and 12.44% respectively. Even though the growth rate might not be constant but there has been a constant rise in setting up of new enterprises. The Fourth All India Census of MSME 2006-07 estimated the size of MSME sector for the first time taking data from multiple sources.

The growth rate can also be presented by way of a chart in the following manner:

**Graphical representation of Growth Rate of number of enterprises:**



**Source:** Entrepreneurs Memorandum Part (II) Data on MSME Sector, Ministry of Micro, Small & Medium Enterprises

The Fourth All India Census of MSME 2006-07 estimated the size of MSME sector for the first time taking data from multiple sources.

**Table 1.2:** Distribution of Working Enterprises by Sector

Type of enterprise	Number of working enterprises (in lakhs)	% Share
Micro	14.85	94.95
Small	0.76	4.86
Medium	0.03	0.19
Total	15.64	100

*Final report of Fourth All India Census of Micro, Small & Medium Enterprises, 2006-07, Registered Sector*

As compared to the third census of small scale industries which recorded the total number of working enterprises that were registered to be 13,74,974, the fourth census recorded the total number of working enterprises registered equal to 15.64 lakh. Micro sector with 14.85 lakh working enterprises, accounted for 94.95% of working enterprises of MSME sector. The micro segment, thus dominated MSME sector in terms of number of working enterprises. Small sector and medium sector with 0.76 and .03 number of working enterprises, respectively accounted for 4.86% and 0.19% of working enterprises in MSME sector.

Other criteria for judging the growth of enterprises in India is by way of analyzing the amount of bank credit to small scale industries. In the following section, the amount of bank credit to small scale industries has been summarised to understand the trend of entrepreneurial growth in India.

The following table presents year wise data on the amount of scheduled commercial bank's advances outstanding to small enterprises and allied services.

**Table 1.3:** Scheduled commercial banks advances outstanding to small enterprises and allied services

Year	Balance outstanding to small enterprises (Rupees billion)
2013-14	8461.35
2012-13	6872.08
2011-12	5276.84
2010-11	4785.27
2009-10	3622.91
2008-09	2561.28
2007-08	2135.39

**Source:** Handbook of Statistics on Indian Economy, Reserve Bank of India, ([www.rbi.org.in](http://www.rbi.org.in))

From the above table it can be seen that there has been a rise in the amount of advances to small enterprises each year. The credit given by banks to small enterprises has risen from Rs 2135.39 billion in 2007-08 to Rs 8461.35 billion in the year 2013-14. This shows increase in the number of candidates who have taken steps towards starting their own ventures.

The above mentioned data clearly demonstrates the growth of entrepreneurship in the country in the form of new enterprises. It is clear from the analysis that with increase in the facilitating factors that accelerate the growth of entrepreneurship, there has been a constant rise in the establishment of new and even more successful start-ups in our country.

**Limitations of the study**

Every research has got certain limitations and the proposed research would also not be an exception to this fact. One of the major limitations is that the data collected under the research is not based upon primary sources rather secondary

sources of data. Even though data has been collected from reliable secondary sources such as authenticated websites, journals, publications etc, still it is likely to have some error or bias. In the above research we have tried to conclude the growth of entrepreneurship in the country by taking into consideration the number of EM-II filed and the amount of advances to small scale enterprises. However, there are many more indicators such as advances to medium and large scale industries, sector wise distribution of registered and unregistered units, new venture creation in the private corporate sector etc. which have not been considered here due to time constraint.

### Conclusion

A vast and diverse nation like India has ample of opportunities to offer to young and talented entrepreneurs. With such large consumer base, increasing support from the government as well as financial institutions like banks and other favourable factors, India offers the right kind of business environment for entrepreneurs to experiment and innovate in different fields of operations. The above study has brought out many positive indicators that facilitate the growth of entrepreneurship and as a result of those we have witnessed a sincere rise in the number of enterprises in our country. Even though entrepreneurship is now picking up a quick pace in our country still work needs to be done in spreading awareness amongst people especially in rural and other backward areas about entrepreneurship and the various support systems that exist in our country to assist them in developing their own ventures.

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