



Challenges faced by entrepreneurs in India

Dr. R.R.Sonawane

Head and Associate professor,

Department of History,

Adv.M.N Deshmukh College, Rajur Dist: Ahmednagar (MS), INDIA

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Introduction:

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneur plays a vital role in economic development. Entrepreneurs serve as the catalysts in the process of industrialization and economic growth. Technical progress alone cannot lead to economic development, unless technological breakthroughs are put to economic use by entrepreneurs.

It is the entrepreneur who organizes and puts to use capital, labour and technology. Accordingly, “development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed and this requires entrepreneurial activity to a considerable extent, the diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs.”

The entrepreneur is the key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure.

Actually, he is the person who identifies the opportunity, creates and arranges resources and is ultimately responsible for the performance of the business enterprise. He plays a pivotal role in each and every sector of the country

Keywords: Entrepreneurship, Entrepreneurs, employment, development

Objectives of the study:

1. To study of the Concept of Entrepreneurship
2. To study of Challenges faced by entrepreneurs in India.
3. To study of Importance of Entrepreneurship.

Research Methodology:

The primary source of data collection in this research paper is the secondary data. The available information on Entrepreneurship development has been extensively used to complete the research paper. All the available Journals, Related books, Web, Articles, Publish and unpublished information and Papers provided necessary information to the finalize the research paper.

Definitions of Entrepreneurship:

Entrepreneurial activities are starkly different based on the type of organization that is being created. Ideally it should force creative destruction across markets and industries, largely responsible for dynamism of industries as well as to propel economic growth through inclusive growth and equal opportunities for all.

Challenges faced by entrepreneurs in India

India offers abundant opportunities for entrepreneurs these days. But vis-à-vis opportunities, India also offers a plethora of challenges an entrepreneur should thread through to be successful.

1. Funding

Funding is a problem for entrepreneurs all over the world. In India, the problem is all the more aggravated as in India, there is pretty much only one legal way of getting money for business – take debt from bank. The risk-averse banking style followed in India does not even lend to small businesses, so getting money for starting up is almost impossible. So the entrepreneurs are left with only 2 options – either use your own savings or take debt at exorbitant rates from money lenders. If one look at the nature of funding, entrepreneurs have been receiving in India, we find the above mechanism in action. Majority of the funding comes from close friends or the entrepreneur's savings. Banks lending especially under policy restrictions form another portion and the new age mechanisms like venture capitalists, angel investors, private equity has miniscule presence. In the recent past, the rise of concepts

such as micro finance, micro equity and mutual guarantee associations have provided options to the small time entrepreneurs who are just setting up their shop.

India as we suggested earlier in this report has always been a hot pot of innovation and entrepreneurship. The sub castes coming under vaishyas like marwaris had innumerable informal institutions which provided the fodder for innovation and entrepreneurship years ago. Institutions such as sarafi (an informal credit system where in micro loans in the form of money and goods are lend between people of the community and the accounts are settled on a yearly basis generally during diwali), basa system (infrastructure for budding entrepreneurs are provided by established businessmen), apprenticeship, mentoring etc existed which had supported and helped the rise of entrepreneurship in India.

2. Socio-Cultural factors

India has a risk-averse culture. We love jobs with job security and even the brightest of our graduates want to find a job at the end of their studies. Even when a person vies to take up entrepreneurship, the pressure from family prevents him from taking the risk. This environment is one of the main reasons why entrepreneurship stifles in India. The constraints in the Indian psyche such as the caste system and the way women is looked down upon also add problems to the risk takers who want to go and beat the world.

3. Policies and Bureaucracy

India is one of the toughest destinations in the world to do business. It takes 35 days to start a business in India (11 point procedure) and years to close down a business. If the business is in labor intensive manufacturing sector, then closing down is almost impossible legally. The restrictions imposed on an entrepreneur by our dilapidated policies, bureaucracy and government machinery is almost stifling. Major overhaul is required in our policies related to labor, agriculture etc if we want to see more entrepreneurs budding out.

4. Infrastructure

Infrastructure is a major issues faced by entrepreneurs in India. As suggested by Arjun Kalyanpur of Teleradiology, an entrepreneur has to by default have a mechanism to generate his own power in the power deficient India. The situation of infrastructure including power, road and rail, airways, logistics are poor in India putting a strain on small time entrepreneurs who are already struggling with resource crunch.

Conclusion from all challenges

If we plan to fix the problems faced by entrepreneurs, we have to pin point the major challenges faced by them out of the sea of problems they face. The major challenges faced by entrepreneurs are –

5. Risk Averse nature

Final aim is getting a job

Best manager out of IIMs join the industry rather than trying out entrepreneurship

Families that does not support risk taking

Job security still a big motivator

6. Policies

Dilapidated and not supporting Efficiency or Innovation

Time is never an essence

Bureaucracy and Red Tapes

7. Markets

Absence of a debt market , VC and PE funding

Dysfunctional government funding agencies

Absence of corporation and mentorship

Fostering entrepreneurship in India

If we want to foster entrepreneurship in India, we need to find a solution for the above problems. According to our analysis, we have propose the following recommendations to do the same –

a. Education

Education should impart confidence to become risk takers

Business Incubation centers in top management and technical institutes

Change the metric of performance from top salaries to capitalization of new ventures/people employed

b. Policies

Accommodating towards first generation entrepreneurs

Incentivizing entrepreneurship in less attractive industries

Institutions like SIDBI which are public proxy for VCs

Promoting technologies which reduces externalities such as electric cars, solar water heaters etc

c. Market

A strong VC and PE market should develop in India which can finance ideas rather than relationships

Development of cluster parks which can do the similar activities for SSIs and MSMEs

Database of information to help new ventures providing consulting and support to new ventures Advertise the success stories and motivate new entrepreneurs

Importance of Entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth and innovating things of value that have a bearing on the welfare of an entrepreneur.

It provides civilization with an enormous amount of goods and services and enhances the growth of social welfare.

The main importance of entrepreneurship is the creation of job opportunities, innovation, and improve the economy.

The man behind the entrepreneurship is an action-oriented and highly motivated individual who is ready to achieve goals.

1. Growth of Entrepreneurship

[Entrepreneurship the advent of new venture](#) particularly small ventures to materialize the innovative ideas of the entrepreneurs. Thus, the growth or establishment of small enterprises ii the specific contribution of entrepreneurship in every economy of the world. The statistics reveal that in USA economy nearly half a million small enterprise is established every year. Our country is not an exception in this regard.

2. Creation of job opportunities

Entrepreneurship firms contributed a large share of new jobs. It provides entry-level jobs so necessary fur training or gaining experience for unskilled workers.The small enterprises are the only sector that generates a large portion of total employment every year.Moreover, entrepreneurial ventures prepare and supply experienced labor to large industries.

3. Innovation

[Entrepreneurship is the incubator of innovation](#). Innovation creates disequilibria in the present state of order.It goes beyond discovery and does implementation and commercialization, of innovations.“Leapfrog” innovation, research, and development are being contributed by entrepreneurship. Thus, entrepreneurship nurses innovation that

provides new ventures, products, technology, market, quality of good, etc. to the economy that increases Gross Domestic Products and standard of living of the people.

4. Impact on community development

A community is better off if its employment base is diversified among many small entrepreneurial firms. It promotes abundant retail facilities, a higher level of homeownership, fewer slums, better, sanitation standards and higher expenditure on education, recreation, and religious activities. Thus, entrepreneurship leads to more stability and a higher quality of community life.

5. The consequence of business failure

The collapse of the large industry almost has irresistible damage to the development of the state and the state of the economy and the financial condition of the relevant persons.

The incumbents lost their jobs: suppliers and financial institutions face a crisis of recovery.

Customers are deprived of goods, services, and government losses taxes. This could not happen in the case of failure of entrepreneurship.

There shall be no measurable effect upon the economy and no political repercussions too.

6. Political and economic integration of outsiders

Entrepreneurship is the most effective way of integrating those who feel disposed of and alienated into the economy. Minorities, migrants, and women are safely integrated into entrepreneurship that will help to develop a well-composed plural society.

7. Spawns entrepreneurship

Entrepreneurship is the nursing ground for new inexperienced adventurers. It is the field where a person can start his/her idea of the venture, which may be ended up in a giant enterprise. All the large industrial ventures started as a small entrepreneurial enterprise.

Therefore, entrepreneurship provides a wide spectrum of ventures and entrepreneurs in every economy. The vast open arena of entrepreneurship thus acts as an incubator to entrepreneurs.

8. Enhances the standard of living

The standard of living is a concept built on an increase in the amount of consumption of a variety of goods and services over a particular period by a household. So it depends on the availability of diversified products in the market. Entrepreneurship provides enormous kinds of a product of various natures by their innovation.

Besides, it increases the income of the people who are employed in entrepreneurial enterprises. That also capable employed persons to consume more goods and services. In effect, entrepreneurship enhances the standard of living of the people of a country.

9. Promotes research and development

Entrepreneurship is innovation and hence the innovated ideas of goods and services have to be tested by experimentation.

Therefore, entrepreneurship provides funds for research and development with universities and research institutions. This promotes the general development, research, and development in the economy.

Entrepreneurship is the pioneering zeal that provides events in our civilization.

We are indebted to it for having prosperity in every arena of human life- economic, technological and cultural. The above discussion, in a nutshell, enumerates that tremendous' contributions of entrepreneurship.

Conclusion

Entrepreneurial activities are starkly different based on the type of organization that is being created. Ideally it should force creative destruction across markets and industries, largely responsible for dynamism of industries as well as to propel economic growth through inclusive growth and equal opportunities for all. A developing country needs entrepreneurs who are competent to perceive new opportunities and are willing to incur the necessary risk in exploiting them. A developing economy is required to be brought out of the vicious circle of low income and poverty. Entrepreneur can break this vicious circle. Entrepreneurs and helping government can change a developing economy in developed economy.

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