

## STUDY ON FACTORS INFLUENCING ENTREPRENEURSHIP

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### **Abstract:**

*Developing economies like India, China, Pakistan, Sri Lanka, Malaysia and many other South Asian countries have always considered small business sector as an important sector of the economy. A broad assumption that there are similarities in economic development process through entrepreneurship and small enterprise development across developed and developing countries could seem to be both ethnocentric and unsubstantiated. Most of the developing countries suffer from non-availability of authentic economic data. In fact, collection of sophisticated economic data in such countries is rather impossible in near future.*

*Plaschka and Welsch (1990), for example, has suggested that the development of entrepreneurship is the result of co-ordination of internal and external components. Internal components include factors such as individual characteristics of employees, financial resources, and the firm characteristics like systems of production, organization, and marketing. External components include factors like government, taxes, laws, regulations, free trade policies, location, infrastructure and the existence of enterprise zones, the availability of skilled labour force, the presence of venture capital, government loans and grants, and the presence of supporting institutions and systems, including universities research facilities, public and private partnerships, networking and cooperative support between entrepreneurs. The favourability and unfavourability of internal and external components can influence entrepreneurs' ability to create viable organizations.*

**Key Words:** *economy, assumption, development, production, organization, and marketing*

### **INTRODUCTION**

Entrepreneurship is a function of several factors. At least four sets of factors which normally influence it can be identified as: The Individual: Entrepreneurship is generated in a society by individuals who initiate, establish, maintain and expand new enterprises. The Socio-cultural Factors: Entrepreneurs grow in the traditions of families and societies and internalise certain values and norms from these sources. These serve to influence the individual and his activities. The Support Systems: Support systems

which work for the development of entrepreneurs include financial and commercial institutions, research, training extension and consultancy services. The Environment: This refers to the socio-political and economic policies of the government and financial institutions and the opportunities available in a society as a result of such policies.

Thus, while the individual, the environment and the support systems directly influence entrepreneurship, the socio-cultural milieu contributes through the individual and support systems. Broadly speaking, support systems and social cultural factors also constitute the environment. Thus, finally there remain only two factors on which entrepreneurship development depends. These include personal characteristics of the individuals and the environment where entrepreneurial activities can flourish and grow.

### **Review of literature:**

The entire change and development of the civilization to a large extent is the result of trade, commerce and industrialization. In this development, the human resource in general and entrepreneur in particular play a pivotal role. Till the beginning of industrial revolution, entrepreneurship of high order was not much needed. However, peasants, artisans, feudal lords and capitalists used to perform these low order entrepreneurial functions. Advancement in science and technology coupled with awareness of the economic backwardness has resulted in changed role of entrepreneur in the developing countries. In the present context, it is the Schumpeterian's innovative entrepreneur who puts the science and technology in economic use. Schumpeterian's innovative entrepreneurs are the key to rapid industrialization and thereby economic development.

In the recent decades the role of an entrepreneur has been considered to be of very great significance in accelerating the pace of growth and economic development in both the developed and under developed countries. The present day developed countries like America, U.K., Germany, Japan, etc. owe much of their economic development to enterprising people of their respective countries. Developing and underdeveloped countries having seen the history of economic development in developed countries are now conscious of the significance of entrepreneurship for economic development. There is a growing realization that both quantity and quality of entrepreneurs are of utmost significance for achieving the goal of economic development. Active and enthusiastic entrepreneurs can fully exploit the potentialities of a country's available resources like labour, technology and capital.

### **Material and Method**

**The interaction of these factors can be shown in Figure 1 below:**

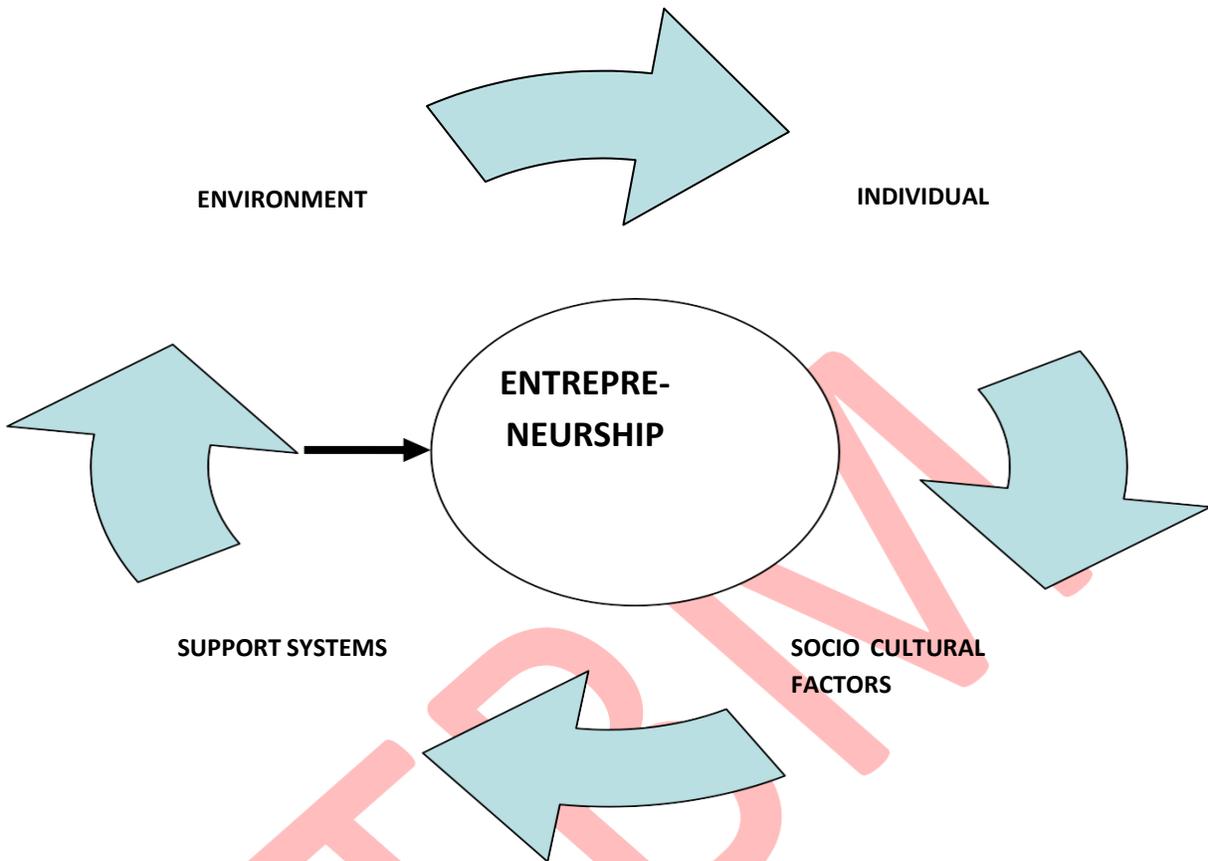


Figure1: Factors influencing entrepreneurship

### ENTREPRENEURSHIP DEVELOPMENT VIS-À-VIS ECONOMIC DEVELOPMENT

There is a growing realization about potential contribution of small enterprises in economic development both in developed and developing countries. Healthy small business sector is rightly considered to be the backbone of any developed economy. Entrepreneurship training in most countries of the world is being increasingly tried to promote local entrepreneurship and accelerating the pace of small enterprise development. There is a positive link between economic development and entrepreneurship. However, the systematically conducted research studies are rarely available in developing and underdeveloped countries in this regard. But, the absence of such studies does not exist in developed countries.

Even in the case of heretofore tightly controlled economies in Eastern Europe, people are anticipating that small business and entrepreneurship will lead the way to new economic development. Most countries in Eastern Europe have already switched over to market-based economy. Developments

that took place in USSR in 1991 also provide much scope to small enterprises in reviving the disintegrated economies.

Much of the discussions on entrepreneurship and its contribution would be of insignificant importance unless we clearly define development process as such and its linkages with entrepreneur. Here, an attempt has been made to clarify the meaning of development process and how entrepreneur comes into the picture.

Economic development has been a focal point right from the days of Adam Smith, Ricardo, Mill, Schumpeter and other noted economists. Adam Smith did not assign any significance to entrepreneurial role in his monumental work 'An Inquiry into the Nature and Causes of the Wealth of Nation' published in 1776.

Ricardo identified machinery, capital, and labour as three important factors of production. According to Ricardo, profit leads to saving of wealth which ultimately goes to capital formation and leads to economic development. According to Lewis, the proximate ways of economic development are: the increase of knowledge and its application to production and increasing the amount of capital of other resources per head. Since economic development is closely associated with human endowments, social attitudes, political conditions and historical accidents, only economic requirements for development are not enough.

The thinking of the economists during 1950s and early 1960s focused mainly on the concept of 'stages of economic growth' in which the process of development was viewed as a series of successive stages through which all countries must pass. It was primarily an economic theory of development in which the right quantity and mixture of saving, investment, and foreign aid were all that was necessary to enable developing nation to proceed along an economic growth path that historically had been followed by the more developed countries. Development thus became synonymous with rapid, aggregate economic growth.

This linear stage approach has now been replaced to a great extent by two competing economic schools of thought. The first, the neoclassical structural change models', uses modern economic theory and statistical analysis in an attempt to portray the internal process of structural change that a 'typical' developing country must undergo if it is to succeed in generating and sustaining a process of rapid economic growth. The second, the 'international dependence paradigms', is more radical and political in orientation. It views under-development in terms of international and domestic power relationships, institutional and structural economic rigidities, and the resulting proliferation of dual economies and dual societies both within and among the nations of the world. Dependence theories tend to emphasize external

and internal institutional and political constraints on economic development. Emphasis is placed on the need for major new policies to eradicate poverty, to provide more diversified employment opportunities, and to reduce income inequalities. These and other egalitarian objectives are to be achieved within the context of a growth economy, but economic growth per se is not given the exalted status accorded to it by the linear stage and the structural change models.

In real life, development of industrial and commercial activities and spontaneous and discontinuous changes in consumer's taste disturb center of equilibrium. Businessman, in the process of coping with such disequilibrium, identifies opportunities for him. It is however, the producer who as a rule initiates economic change, and consumers are educated by him if necessary: they are as it were taught to them want new thing or things which differ in some respect or other from those which they have been in the habit of using. The producer combines material and other forces so as to meet the wants of consumers.

Some of the noted economists have described the role of entrepreneur in economic development in different words. Schumpeter considers introducing innovation as the most significant contribution of entrepreneur in economic development.

#### Conclusion

- Create awareness about entrepreneurship.
- Give career orientation for entrepreneurship and promote self-employment.
- Create new enterprise by imparting training to the potential entrepreneur.
- Train existing entrepreneurs for business survival and growth.
- Inculcate entrepreneurial values in the society.

Entrepreneurship development programmes have widely spread in the country as effective tools of creating entrepreneurship.

Underdeveloped economies usually suffer from paucity of funds, lack of skilled labour and non existence of minimum social and economic overheads. Market environment in such economies is less conducive to the emergence of innovative entrepreneur, namely, imitators; Fabian and Drone are noticed to a large extent.

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