

## **FACTORS AFFECTING THE GROWTH OF ENTREPRENEURSHIP AMONG YOUTH IN INDIA**

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### **ABSTRACT**

The growth of entrepreneurship leads to a positive economic growth. The youth of India are promoted through the environmental factors which shows rise in entrepreneurial spirit among youth. This research paper of our dissertation includes the environmental factors affecting the growth of entrepreneurship and interpretation of all the major psychological characteristics which lead to rise in growth of entrepreneurship in India. As per our interpretation of questionnaire which includes major psychological characteristics i.e. need for power, need for achievement, risk taking ability, strong will power and occupational background.

- **Problem:** How psychological factor affecting the growth of entrepreneurship of youth of India.
- **Scope & Objective:** Our scope of study was limited among the youth population of India, their interests in entrepreneurship & our objective is to study the Psychological factors that are affecting the entrepreneurial growth in India among youth.
- **Sub-Objective:** The problems that young entrepreneurs face.
- **Methodology:** Survey sampling.
- **Achievements :** It was found that increase in number of entrepreneurs

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## INTRODUCTION

“The entrepreneur is the one who undertakes to organize, manage and assume the risks of a business. In recent years entrepreneurs have been doing so many things that is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/ marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive market place to implement these ideas; and realizes the rewards from these efforts. Entrepreneurship is the result of three dimensions of working together: conducive framework conditions, well designed government programs and supportive cultural attitudes. Across these three perspectives of entrepreneurship, two major conclusions are apparent. Firstly, the economic, psychological and sociological academic fields accept that entrepreneurship is a process. Secondly, despite the separate fields of analysis, entrepreneurship is clearly more than just an economic function.”

## REVIEW OF LITERATURE

**Baker (2008) in the paper “Fostering a Global Spirit of Youth Enterprise”** outlines the present challenge of youth unemployment and investigates the role that youth enterprise can play in tackling this challenge, before examining the opportunities for public and private sector collaborating to achieve meaningful social and economic change. The paper draws on examples of existing collaborative youth enterprise initiatives suggesting how these may be replicable and scalable.

**The first report in YBI’s Making Entrepreneurship Work Series (2009) on “Youth entrepreneurship- Recommendations for action”** suggested that Business, governments, and other sectors of society increasingly perceive that supporting young entrepreneurs can be a highly effective way to reduce youth unemployment and encourage growth in local communities. Satapathy (2006) in his article “Youth Entrepreneurs in Orissa, India” focuses on the school to work evolution of youth in Orissa, with the aim of identifying essential issues related to youth transition and nature of entrepreneurship in India. Above all, it investigates the role and capacity of civil society organizations in sustaining and supplementing the government sponsored employment generation programmer in India for capacitating the smooth youth transition into the world of work.

**Nancy and Thomas (2008) in their article “Entrepreneurial Orientation among the Youth of India: The Impact of Culture, Education and Environment”,** states that even though a combination of social configurations and cultural values within India that historically confined entrepreneurship, a number of efforts in recent years seem to have significantly reacted the national mindset regarding entrepreneurship, particularly among India’s youth who were found to exhibit a significantly higher level of interest in starting their new ventures than their US counterparts.

**Llisterri et al. (2006), “Is Youth Entrepreneurship a Necessity or an Opportunity?”** the authors examines the differences between youth who become entrepreneurs by necessity or by opportunity and also evaluate the range and quality of policies and programs that government, develop agencies and civil society are implementing to support the groups of young entrepreneurs.

**Schumpeter’s definition (1961) was a turn in the concept of an entrepreneur** whereby he defined an entrepreneur as a dynamic agent of change or the catalyst who transformed increasingly physical, natural and human resources into corresponding production possibilities. According to Scumpeter “entrepreneurship connotes innovativeness and an urge to take risk in the face of uncertainties and intuition, i.e., capacity of seeing things in a way, which later prove to be true”. Merger (1871) also defines entrepreneur is a change agent who transforms resources into useful goods and services, often creating the circumstances that lead to industrial growth. Merger also looked upon entrepreneur as a smart individual who could visualize this transformation and generate the means to execute it. “Entrepreneur is able to see both extremes and envision ways to transform the raw materials into the useful commodity”

**.J.B. Say (1803), described entrepreneur as** one who possessed certain arts and skills of creating new economic enterprises, yet a person who had exceptional insight into society’s needs and was able to fulfill them. In this definition, Say has combined the ‘economic risk taker’ of Cantillon and ‘industrial manager’ of Smith into unusual character. Say’s entrepreneur is influenced by creating new enterprises and at the same time is inclined by society’s requirements and fulfills them through rational management of resources. According to him, entrepreneur trends to have both the qualities rather than just one quality.

**J.S. Mill (1848), described entrepreneur as** a business founder, and this fourth factor of economic endeavor has been ingrained in economic literature as encircling the final ownership of commercial enterprise. So Mill's entrepreneur is the owner and founder of his/her business enterprises. This also means that in absence of this fourth factor of production an economy cannot develop and prosper. The critical analysis of these various definitions however, brings out certain common characteristics. The entrepreneur has a potential to envision future and exploring the opportunities for gainful purpose also the various concept and theories propounded by researchers appear to point that the emergence of entrepreneur in any society directly depends upon interlinked economic, social, cultural and psychological variables.

## **FACTORS INFLUENCING ENTRENEURSHIP**

### **1. ECONOMIC FACTORS**

- **Lack of adequate overhead facilities:** To reduce production cost we need better facilities like uninterrupted power supply, communication, transportation etc, which will help in making the entrepreneurial innovations profitable.
- **Non availability of capital:** The countries which are less developed or developing, most of the equipments required for setting up manufacturing units has to be imported for which lot of foreign exchange is required. So that becomes a limitation as most of the inventions are capital oriented.
- **Great risk:** Again in developing or less developed countries markets of good & services are comparatively small, there is lack of availability for reliable information, which increase the risk.
- **Non availability of labor and skills:** In less developed countries, generally there is scarcity of skilled labor while on the other hand there is abundant supply of labor.

### **2. SOCIAL FACTORS**

There is a need of society which is rational in decision as it would be more favorable for making decisions. Developing countries gives less emphasis on research, education & training which is why there is very little movement in vertical labor mobility.

### 3. CULTURAL FACTORS

Factors such as Religion, cultural & social factors also influence the decision of an individual for taking upon entrepreneurial career. There are some countries in the world which think that generating high profits from some business is unethical. Such religious or cultural beliefs also stop growth of entrepreneurship.

### 4. PERSONALITY FACTORS

In developing or less developed countries there is a tendency of public forming negative opinion for the entrepreneur & they see him as a person who is exploiting others for generating higher profits. Thus the entrepreneur is generally looked upon with suspicion.

### 5. MOTIVATING FACTORS

There are some factors which motivate a person to start something. It is the act of stimulating to get started, to get a desired course of action, to push the person in right direction or to push the right button for getting the desired results. Some such factors are listed below.

- a. Desire to work independently in manufacturing line
- b. Availability of technology
- c. Availability from financial institution
- d. Family background
- e. Education background
- f. Occupational experience
- g. Assistance from financial institution
- h. Other factors

### OTHER FACTORS INFLUENCING ENTREPRENEURSHIP

The factors that influence the emergence of entrepreneurs in a society is also dependent upon interlinked economic, psychological, religious, cultural, political & social.

- **POLITICAL FACTORS:** The factor which also influence the growth of entrepreneurship is the political stability in the country. Entrepreneurship gets promoted by stable political system, free access to markets, individual freedom & freedom to private enterprises.

- **RELIGIOUS, SOCIAL AND CULTURAL FACTORS** Religious, social and cultural factors also influence the individual taking up an entrepreneurial career, in some countries there is religious and cultural belief that high profit is unethical. This type of belief inhibits growth of entrepreneurship.

- **Family Tradition:** It is believed that people who have legacy of entrepreneurship in their families are more attracted towards starting their own franchise. Individuals who establish & expand new businesses generate motivation for other to join the same.

- **LEGAL FACTOR:** Country's law & order situation also affects motivation to enter into entrepreneurship. If the law & order situation is good, if it is calm & quite the entrepreneurial growth may be high. Various types of legal factors are as follows:

- ✚ Wage Law

- ✚ Labor Law

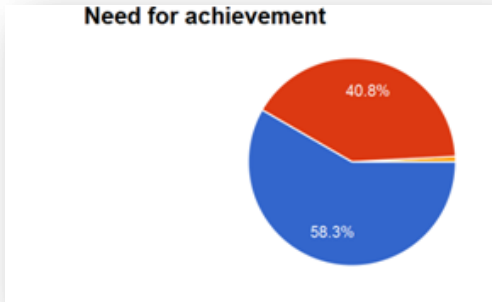
- ✚ Income tax law

- **PSYCHOLOGICAL FACTORS:** There are some psychological factors such as self confidence, leadership, vision, need of achievement, determination of unique achievement which promotes entrepreneurship. While on the contrary other psychological factors such as compliance, security, conformity, need for affiliation etc. restrict the entrepreneurial drive. There are some other factors such as:

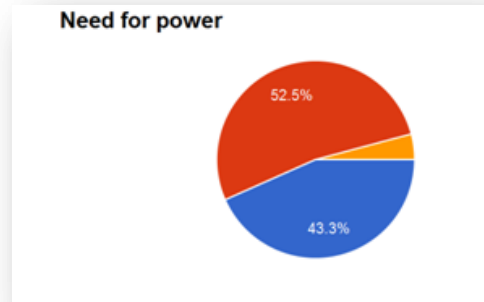
- ✚ **Need for achievement:** It is like a psychological power. To gain success, to enhance business tasks.

- ✚ **Perception and motivation:** Perception & motivation supports entrepreneurial behavior. Such as motivation with positive force to enter into newer business.

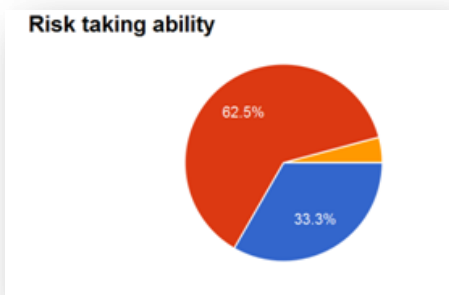
- ✚ **Learning and personality:** Different personalities affect businesses such as realists, reformists, innovator, etc.



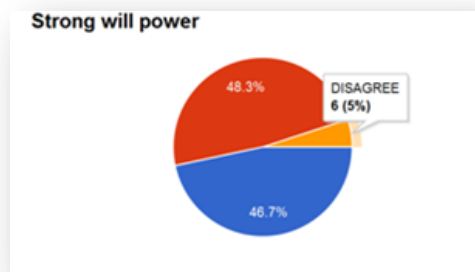
**Fig1.1-Interpretation of part II (b)**



**Fig 1.2-Interpretation of Part II(c)**



**Fig 1.3- Interpretation of Part II (e)**



**Fig 1.4- Interpretation of part II(j)**



**Fig. 1.5- Interpretation of family background (occupation)**

Need for achievement is an individual's desire for significant accomplishment, mastering of skills, control or higher standards. It includes intense, prolonged and repeated efforts to accomplish something difficult. It motivates an individual to succeed in competition and to excel in activities important to him or her. Thus, it is important for an entrepreneur to possess this quality so as to achieve everything that they want in their life.

A need for power is the strong desire to seek and secure power over other people. An entrepreneur must possess this quality of need for power and the one who possesses this should have strong need for control and influence. They achieve their ends by attempting to convince, influence and persuade others. This characteristic leads to status recognition, winning arguments, competition and influencing others. With this motivational type comes a need for a better personal status.

Risk bearing and entrepreneurship are inseparable from each other. To become a successful entrepreneur one should have an unwavering passion, open mindedness and eagerness to take risk. Entrepreneurs require having high risk taking ability. High risk tolerance enables them to achieve greater success. It was said by many people that failure is the key to success. Therefore, risk averse never leads to success in entrepreneurship.

Willpower is the key to success as an entrepreneur. It is the inner strength that enables you to make decisions to carry them out. A person with strong will power will assert decisions even in the face of strong opposition or other contradictory indicators. Strong willpower acts as the base of entrepreneurship. Willpower is the strongest predictor of lifetime success, health and wealth. Thus it is a major factor to be considered.

The above figure 1.5 shows the percentage of respondent's parents engaged in the business sector as well as the service sector. A child belonging to the business sector is more likely to come up with a new venture in near future. The diagram states that 51.7% respondents belong to a family having their own businesses while 48.3% respondents belong to service sector. Thus we can say that a large number of young entrepreneurs may come up in future.

## **RECOMMENDATION**

Our dissertation comprises of all the factors affecting the growth of entrepreneurship of youth in India. As per our report, the major problems are the psychological factors which influence the mindset of young generation to choose the entrepreneurship as their future. According to our interpretation, we found that psychological mindset of youth in India are ready to enter into an entrepreneurial world.

This positive mindset of youth for entrepreneurship will result in positive economic growth of India. Increase in number of entrepreneurs will result in increase in number of innovations



and inventions which will benefit the society. The technological up gradation by entrepreneur will ease and standardize the live of people and will also save their precious time and will reduce the cost of labor. The increase in number of entrepreneurs in India will lead to industrialization and higher economic growth.

## **CONCLUSION**

The psychological factors affecting the growth of entrepreneurship among youth was the major concern of our study. We analyzed and found that the major family background of our respondents are business as their occupation which shows that if one will consider their family occupation or will be influenced by their parents then this will promote them to have their own venture in near future. As a result, the ideal growth of young entrepreneur will be seen.

The other psychological characteristics also show that there will be rise in young entrepreneurial growth in our country.

### **Note:**

We thank SBBJ for generous support for promotion of Entrepreneurship and MSME by launching SBBJ-Banasthali Vidyapith 'Navjyoti'. This research would receive support under the SBBJ-BV Navjyoti. This project is first of its kind of Project to promote entrepreneurship among women in rural and urban areas of Rajasthan and would benefit thousands of women in the exciting time to come. The bank has collaborated with the university and provided a generous financial grant under CSR.