

Chapter 70

Entrepreneurship in a Modern Networked Indian Economy

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ABSTRACT

Entrepreneurship is important in the daily business environment and it plays a crucial role in the world economy. Entrepreneurship is an interesting topic as it deals with the behaviour of the firm entrepreneur and the entrepreneur's main competencies. However, the field of entrepreneurship world over is evolving and so is it in India. The focus of this paper is on entrepreneurship in modern networked economy of India. In this survey paper the literature on entrepreneurship is summarized from the perspective of geographical seedbed conditions and network constellations. Urban areas offer favourable incubator conditions for innovative entrepreneurship, as a result of economies of density and the opportunities created by the city as a nucleus of a broader network. Hence, a modern entrepreneur tends to become increasingly a network operator and manager. The paper focuses on the role that small firms and entrepreneurship would play in the Indian economy as it transforms itself. The current constraints are identified, and the areas that need action are highlighted. It is argued that a better understanding of the process of evolution of the modern entrepreneurship in the late industrializing economies can help India make appropriate policy choices. It is also suggested that in the age of liberalization and globalization, any attempt at creation of a competitive environment in the country would need to explicitly take note of the emerging global production and knowledge networks.

INTRODUCTION

The word entrepreneur has Latin roots – *entre* means *to enter*, *pre* means *before* and *neur* means *nerve center*. Entrepreneurs are individuals who enter any business and change that business's nerve center (Sheffsky, 1994). According to another school of thought the word *entrepreneur* originates from the French and the exact meaning is *the one who takes between*. An entrepreneur is known as the coordinator of different factors of production, the risk taker, the capitalist employer, the owner-manager etc. Thus, every economist understands that an entrepreneur is important and has a huge impact. Economists

DOI: 10.4018/978-1-5225-1923-2.ch070

consider entrepreneurship as a meta-economic event and profoundly shape an economy. Economists not only have any explanations for the emergence of entrepreneurship which took place during the late nineteenth century but also as why entrepreneurship is not related to a particular culture or a country. It is interesting to note that almost 75% of the new jobs added to the American economy every year lead to over 99% of all the United States employers. The 2006 Global Entrepreneurship Monitor (GEM) observed that entrepreneurial behaviour is very important for innovation and growth of an economy and the companies need to take their attention towards the unexploited opportunities (America, 2008). Another entrepreneurship research paper prepared for the first GEM research conference which analyzed the GDP for 36 countries, found that entrepreneurship plays a different role in countries in different stages of the economic growth and hugely affects the growth of an economy (GEM database, 2004). Therefore, it is essential to understand what kind of economy is prevailing as there is a direct relationship between the entrepreneurs successes and failure and economy.

Entrepreneurship system has evolved in the advanced economies and is successful. Whereas in a developing economy like India, the entrepreneurship system needs modification as the public policies need to support the role of entrepreneurship. As per a research study, after analyzing 100 entrepreneurs from the US and Bangalore city of India, it was observed that the Bangalore entrepreneurs started with high capital which also resulted in lower profits and they competed against the large companies in India, whereas the US entrepreneurs started with less capital, competed against the other small business owners and also resulted in higher profits. This study summarized that the failure of Indian entrepreneurs was because of unfavourable tax system, harsh rules, bad restrictions and relatively low efficiency as compared to the favourable conditions enjoyed by the US entrepreneurs (Bhidenet, 2004). However there are many critical issues as why the entrepreneurs/ businesses fail like entrepreneurial weakness, poor leadership and commitment, weak marketing and finance debt, etc. (management paradise, 2007). Thus from the above arguments, we clearly understand the evolution of entrepreneurship, successful entrepreneurship leads to economic development and that many factors are involved in the overall success and failures of entrepreneurs. This paper intends to provide an understanding about the different aspects of entrepreneurship especially Indian entrepreneurship, drivers of entrepreneurship, and insights about the current challenges faced by a small business entrepreneur in a modern networked economy. It will also serve as a guideline to the present entrepreneurs and the individuals who wish to become entrepreneurs in future.

BACKGROUND

Small firms in India have a crucial and seminal role to play which arises out of both the late industrialization context and the particular historical experience of industrialization thus far that has contributed to the evolution of the industrial structure. Analyzing the Indian reality in the context of the experiences of Japan and East Asia and the insights of Dennis Anderson (1982), it is argued that macro-economic, trade and exchange rate policies do not favour the rapid growth and transformation of small firms, even as they do not favour manufacturing in India, in a situation where Indian manufacturing has to compete with many countries but most notably the dynamic East Asian. East Asian economies, these unambiguously are South Korea, Taiwan, Hong Kong, Thailand, Malaysia and China; and now possibly Vietnam which are well on their way to industrial transformation provide the necessary context of late industrialization.

The growth of the domestic markets and the input-output linkages (especially between small and large firms through a variety of networks) facilitate the evolution of the modern small scale firms. But

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