

A Comparative analysis of prominent factors affecting Entrepreneurship in India and China

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Abstract - Entrepreneurship refers to a process that spearheads the process of growth and development of the nation. India is a developing country to make it on par with developed countries like the USA, Japan, and China; what is the need of an hour is the development of the sound entrepreneurial ecosystem in the nation. It is an activity through which an individual perceives an idea, visualizes it, acts upon it, and takes the economy towards progress and prosperity. Though a significant improvement has witnessed an up-gradation in ranking of India from 77th position in 2018 to 63rd position in the Ease of Doing Business Index in 2019 released by the World Bank, still a milestone needs to be achieved because several factors which are pivotal for the effective functioning of entrepreneurship are still needed to be reorganized. There is a need for an improvement in the entrepreneurial behavioural system. For which a proper motivation mechanism, early-stage entrepreneur's activities are needed to be analyzed and effectively supported to develop suitable entrepreneurial bases that will make entrepreneurship a prospective career choice for the nation's youth. This paper tries to develop a thorough understanding of the elusive term entrepreneurship. It also analyzes various factors affecting entrepreneurship between India and China based on the secondary data retrieved from the Global Entrepreneurship Survey conducted. It also suggests some further reforms so that entrepreneurship tremendously contributes to the nation's well-being.

keywords - Entrepreneurship, Entrepreneurship in India, Entrepreneurship in China, Entrepreneurship Development programs in India.

INTRODUCTION

Entrepreneurship is an indispensable activity for nations that want to reshape their economic destiny and crave to emerge as the prosperous economy in the world. The nation's growth and development depend on how effectively it organizes, coordinates, and utilizes its available and the latest resources, which can be made possible only through the proper execution of the entrepreneurial process.

The term Entrepreneurship is derived from the French word "Entreprendre" which means to undertake, initiate or pursue something. It is the process of identifying the opportunity, assembling the inputs required to exploit that opportunity for the purpose of earning a long-term profit. It was believed that the term was first used by the French economist Richard Cantillon in the 17th century, who defines entrepreneurship "as the process of buying the thing at the certain prices and selling it at an uncertain price." The given definition clearly highlights the risk which was associated with entrepreneurship. The word entrepreneurship is a connotative term and an elusive concept; different authors have different viewpoints for it. Some regarded entrepreneurship as a risk-bearing activity, some as an organizational building ability, and some considered it as an innovative function. Though the term was introduced by Cantillon but popularized by an Austrian economist Joseph A Schumpeter, who is also known as "Father of Entrepreneurship" because of his renowned contribution, a book named Capitalism Socialism & Democracy in which he regarded entrepreneurship as the process of creative destruction because every new innovation discards the traditional one. It means that the creation of every new thing led to the dismantlement of others.

In the present time, when a wave of privatization is at its pinnacle, and the employment opportunities in the public sector are shrinking due to frequent disinvestments and amalgamations. In such a situation, entrepreneurship is emerging as an effective solution for combating the problem of unemployment and poverty and it also helps the nation in emerging as an economic superpower. Due to globalization, interconnection, integration, and interrelation of a nation's economy with the world economy become possible. This opens up the new door of opportunities that can be effectively exploited by the person known as an entrepreneur. An entrepreneur is one of the factors of production that unites all the other factors of production and is considered the prime mover for accelerating the country's prosperity. He is the person who searches for the changes, responds to them, and makes the necessary provisions in order to exploit those changes as an opportunity. Entrepreneurs are regarded as creative users, opportunity seekers, agents, industrial leaders, arbitrageurs, allocators, and a manager. An entrepreneur transforms an idea into a profitable and viable venture. A progressive trend in entrepreneurial activities will provide numerous advantages to the concerned individual and society as a whole. At the individual level, it will help in attaining independence, helps in realizing one's potential, serve as the means of living, helps in getting the status in society, and the prospects of reaping long-term profits. For society's concerned, entrepreneurship promotes job creation, innovation, effective use of

available resources, productivity, capital formation, technical advancement, and growth and development. With a population of about 1.39 billion, it is quite difficult in a country like India to generate adequate employment opportunities for such a huge masses. Poverty and unemployment are the chronic problems of the nation. They can be resolved easily by making appropriate provisions for developing a sound and healthy entrepreneurial ecosystem. It is the sum total of all those factors that can directly or indirectly support the creation and expansion of a new venture.

Along with the amicable entrepreneurial ecosystem, a cordial entrepreneurial behavioral system must be developed. An entrepreneurial behavior system is a subset of all those activities which is associated with the proper understanding, influencing, and predicting the behavior of individuals in an enterprise. Entrepreneurship affects the structure, composition, and pattern of the country's development. Creation of the employment opportunities is one of the effective solutions for solving the several lingering challenges of the nation. The Government has initiated several measures for revitalizing and developing the strong entrepreneurial base in the country. Some Government initiatives to promote Entrepreneurship are STARTUP INDIA, MAKE IN INDIA, ATAL Innovation Mission, ASPIRE (A Schemes for Promotion of Innovation, Rural Industries, and Entrepreneurship), and because of all these initiatives, a sharp transition witnessed in entrepreneurial growth rate in the country.

The entrepreneur class is still undergoing through numerous problems due to lack of robust business environment, unavailability of credits, faulty implementation of government schemes, and improper working of entrepreneurial development programs. Despite the several measures initiated by the government country is still lagging behind. Total early-stage entrepreneurial activity (TEA) fell from 15 percent in 2019 to 5.3 percent in 2020, representing the biggest fall among the nations that participated in Global Entrepreneurship Monitor (GEM) survey. Total early-stage entrepreneurial activities are a percentage of the 18-64 years old population that are either nascent entrepreneurs (planning to start a venture) or the business owner; in short,, it highlights the percentage of the young population trying to start a new business. In Global Entrepreneurship Index (GEI) 2019, India scored 25.1, which is not satisfactory compared to developed countries like the USA, and China scored 86.8 and 45.6.GEI is the annual index released by Global Entrepreneurship Development Institute, which oversees the statistics of different countries worldwide working to promote and accelerate the growth of entrepreneurship. However, the positive trend is also reflected; it was found that 65 percent of Indian Early Stage Entrepreneurs reported that they visualized new opportunities as the result of the pandemic, which was quite surprising because pandemic led to massive crises and layoffs in the economy. The country also gets a 6.4 score for "access to entrepreneurial finance," which is the highest among all the GEM participating countries. GEM (Global Entrepreneurship Monitor) Indian Consortium is a group of different countries that are generally involved in carrying out the research on entrepreneurship for monitoring and evaluating the entrepreneurial ecosystem in the country. So there is a dire need to improve the country's, which can be possible only when Government makes some attempts to revitalize the country's entrepreneurial base because entrepreneurs are the prime mover for the sound and efficient functioning of the economy.

REVIEW OF LITERATURE

There is extensive research done to understand the effect of entrepreneurship on economic development. Some of them help to understand the relationship of entrepreneurship with different variables like economic growth, employment generation, as concluded by Erik Stam (2009). In their study titled Types of Entrepreneurship and Economic Growth, test the impact of entrepreneurship on the economic development of high income, transition, and low-income countries for doing so they compare the data of 36 countries over a four-year period and suggest that entrepreneurship does not have an effect on economic growth in low-income countries due to lack of large firms in the countries. Whereas regression-based study shows that transition economies are showing high responsiveness to entrepreneurial activities due to better human capital availability. Manuel Almodovar et al.(2020), in their study of 74 economies for a period of 6 years, including that entrepreneurial activity plays a different role depending on the economic stage of the country. They suggest that boosting new business is not beneficial in less developed countries if its objective is to favor economic growth. Whereas in the case of developing countries, there is a negative relationship between entrepreneurship and economic growth except in the case of generic entrepreneurial activity. Developed economies are showing a strong positive relationship between entrepreneurial activity and economic growth. Goswami (2018), in his work which concludes that entrepreneurship activities are crucial for the employment generation and emphasized that in a country like India, the MSMEs sector needs to be given more sponsorship as it creates employment generation at large scale. Kumar & Tilak (2019) suggest that entrepreneurship in India is a key contributor in the area of employment generation, innovation, and product improvement. K.Manjunatha (2017) in his secondary data-based study, concludes that entrepreneurship and employment are negatively co-related. Raoofi, Ali & Morteza & Hoshyar, Simin. (2014), in their study on the effect of entrepreneurship on economic growth, analyzed the data of sixty selected countries for the period of 2004 to 2012 using panel data methodology, they considered the ratio of government expenditure to gross domestic product, inflation, and the net school students' enrollment as control variables and the data collected from Global Entrepreneurship Monitor (GEM) and world bank data sited and concluded that entrepreneurship has a positive and significant effect on economic growth.

OBJECTIVES OF THE STUDY

- To identify the variances in the perception of the people of two different nations regarding entrepreneurship.
- To study the scope of entrepreneurship as an emerging and viable career choice for the nation's youth.
- To identify the difference in the rate of innovation between India and China.
- To compare the Early-stage entrepreneurial activity between India and China.

METHODOLOGY OF THE STUDY

The study is based on the secondary data retrieved from the Global entrepreneurship monitor, it is the joint research project between Babson College (USA) and Landon Business School (UK). Based on data obtained through GEM, a conclusion is drawn on the basis of graphical analysis of data of the two nations. The study is conducted considering data for the period of 2014 to 2020.

Perception of the people of two different nations regarding entrepreneurship

The perception of the people regarding entrepreneurship is compared on the basis of Global Entrepreneurship Monitor data, which is a quantitative expression of the Entrepreneurial Behaviour & Attitudes motivational index. The index represents the percentage of people involved in total early age entrepreneurship that are improvement-driven & opportunity motivated divided by the percentage of TEA that is necessity-motivated. The index shows the percentage of entrepreneurs who are undertaking entrepreneurship for the purpose of improvement, not for necessity, on the basis of data presented in Figure 1 and the mean of the given data that is 1.08 for India and 1.18 for china which clearly shows that China has a high percentage of people, who opt for entrepreneurship for the purpose of improvement in comparison to India. In India, entrepreneurship is mostly necessity-driven



Figure- 1 Sources – Global Entrepreneurship Monitor

Entrepreneurship as a career choice rate

The other way through which we compare the perception about entrepreneurship between the two developing nations is by comparing the data related to Entrepreneurship as a good career choice rate. As per the publisher of the data, Entrepreneurship as a good career choice rate is defined as a percentage of the 18-64 population who agree with the statement that in their country, starting a business is a desirable career choice.



Figure- 2 Sources- Global Entrepreneurship Monitor

The average data of six years shows that in India Avg percentage is 61.66%, whereas, in the case of China, the average of this data is 68.066%. From figure 2, it is observable that in most of the years taken for the study, China is performing better than in India, except in the last two years i.e. 2018 and 2019. Observing the figure, we can say that perception of Indians towards

entrepreneurship as a career choice is improving in recent years; it may be beneficial for a developing nation like India where unemployment is at its peak.

Innovation Rate

The third important parameter on which the study is based is innovation. Innovation is considered one of the essentials of entrepreneurship. Joseph Schumpeter also advocates that innovation is essential to entrepreneurship. In the context of this study, the innovation rate is defined as the percentage of Total early-age entrepreneurs who designate that their product or services are new to at least some customer. Innovation rate is simply the perception of the entrepreneurs regarding their product regarding innovation.

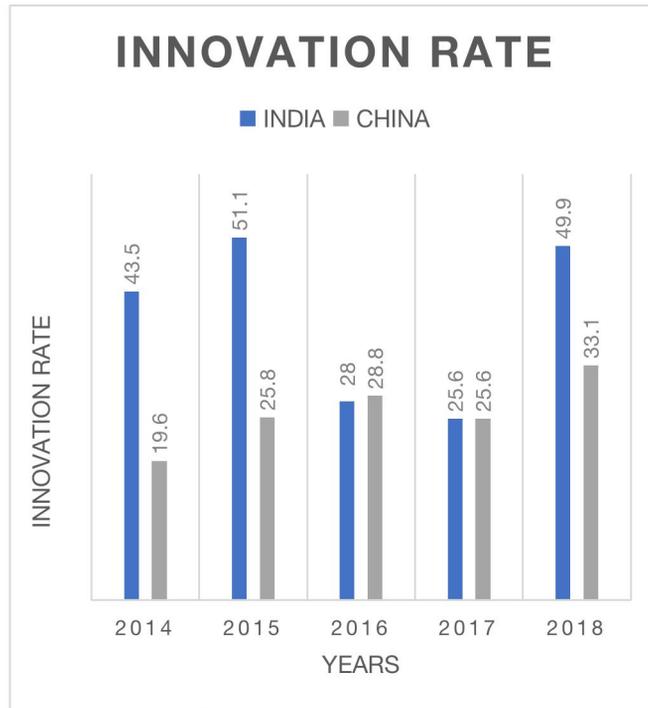


Figure- 3

If we compare the average of innovation rate among India and China, India's Total early-age entrepreneurs are offering more innovative products than that of China. The averages are 39.62% and 26.58% in the case of India and China, respectively. This clearly depicted that Indian Total early-age entrepreneurs are more aware of innovation.

Total Early-stage Entrepreneurial Activity (TEA)

The total early-stage entrepreneurship activity rate is the quantitative expression that tells us about the percentage of the 18-64 population involved in any stage of entrepreneurial activity. The expression is helpful in the comparison of entrepreneurial activity between two countries.

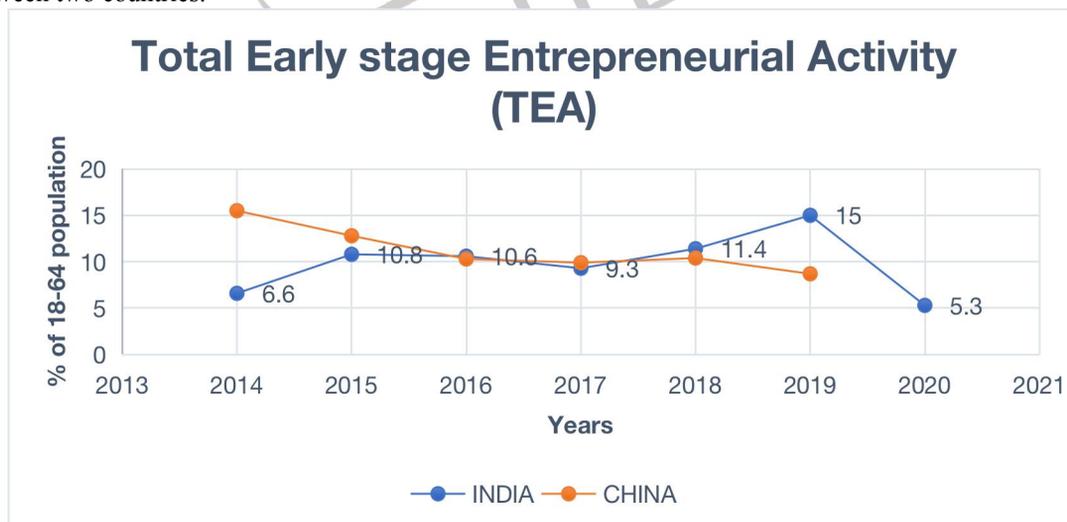


Figure- 4

Analysis based on the average of the TEA rate, which is 9.85 % & 11.26% in case of India and China, respectively, It is observable that more people belonging to the age group 18-64 indulge in TEA in case of China in comparison to India. But from figure-4, it can be noticed that India's performance in Total early-stage entrepreneurial activity is improving in recent years, and India is performing better than of China.

Suggestions

India is facing a massive problem of unemployment. In the year 2020, the unemployment rate is 7.11%¹ which is highest in last five-year period. Since from various studies, it is clear that entrepreneurship and employment generation have a positive correlation; hence to reduce unemployment, it is essential to promote entrepreneurship.

- The Government of India has set up three national-level Entrepreneurship Development institutes in India for promoting entrepreneurship. These are the National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad; the National Institute of Entrepreneurship and Small Business Development (NIESBUD) in NOIDA and the Indian Institute of Entrepreneurship (IIE) Guwahati. For a country like India, the number of national-level Entrepreneurship development institutes is insufficient. Since most of them are situated in cities, they need to increase their reach to rural areas.
- The perception of people about entrepreneurship is not so well in India; hence, there is a need to change such perception to make people consider it their career choice.
- Since the Fund allocated for the startups is two-fold that of budget estimates, that is Rupees 830² crores for the year 2021-2022 but for a country like India having such a huge population, either unemployed or underemployed such budget allocation is not sufficient; more funds can be useful in entrepreneurship development.
- An effort should be made to develop a suitable entrepreneurial ecosystem and an amicable behavioral system; along with that, proper arrangements should be made to promote innovation in the economy.

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