A Study of the Factors influencing Entrepreneurship in Southern India

Naresh Babu E M*

Abstract

Economy of any country depends upon its industrialization. In developing countries, entrepreneurs play a pivotal role in boosting up of the Gross Domestic Product (GDP). If we talk of BRICS countries, the entrepreneurial income is also contributing a lot. Coming to Indian context, entrepreneurship is not a new term as we have seen many entrepreneurs who have started on their own and touched the summit of success. There are many factors which made them successful and there are numerous other factors which made them suffer a lot. So it is important to study the factors which will be influencing positively and which will be impacting negatively if anyone wants to be entrepreneurs. Hence a study has been made to find the most influential factors of entrepreneurship. The present study focuses on many aspects such as business strategies of business starting, advantages of resources, various plans designed by the entrepreneurs, approaches of business models, design of product assortment, product profile and product portfolios. The paper also deals with the most effective or influential factors of success especially in the aspect of budding entrepreneurs. 188 entrepreneurs and prospective entrepreneurs across the south Indian states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu were surveyed on the issues of: (a) obsoleteness and need to change market practices; (b) investment in mature technologies and productivity; (c) risky nature of industry and failure in business, and; (d) tastes and preferences and customer loyalty. Chi-square analysis was used to examine the significance of these factors. Conclusion and implications for practice are discussed.

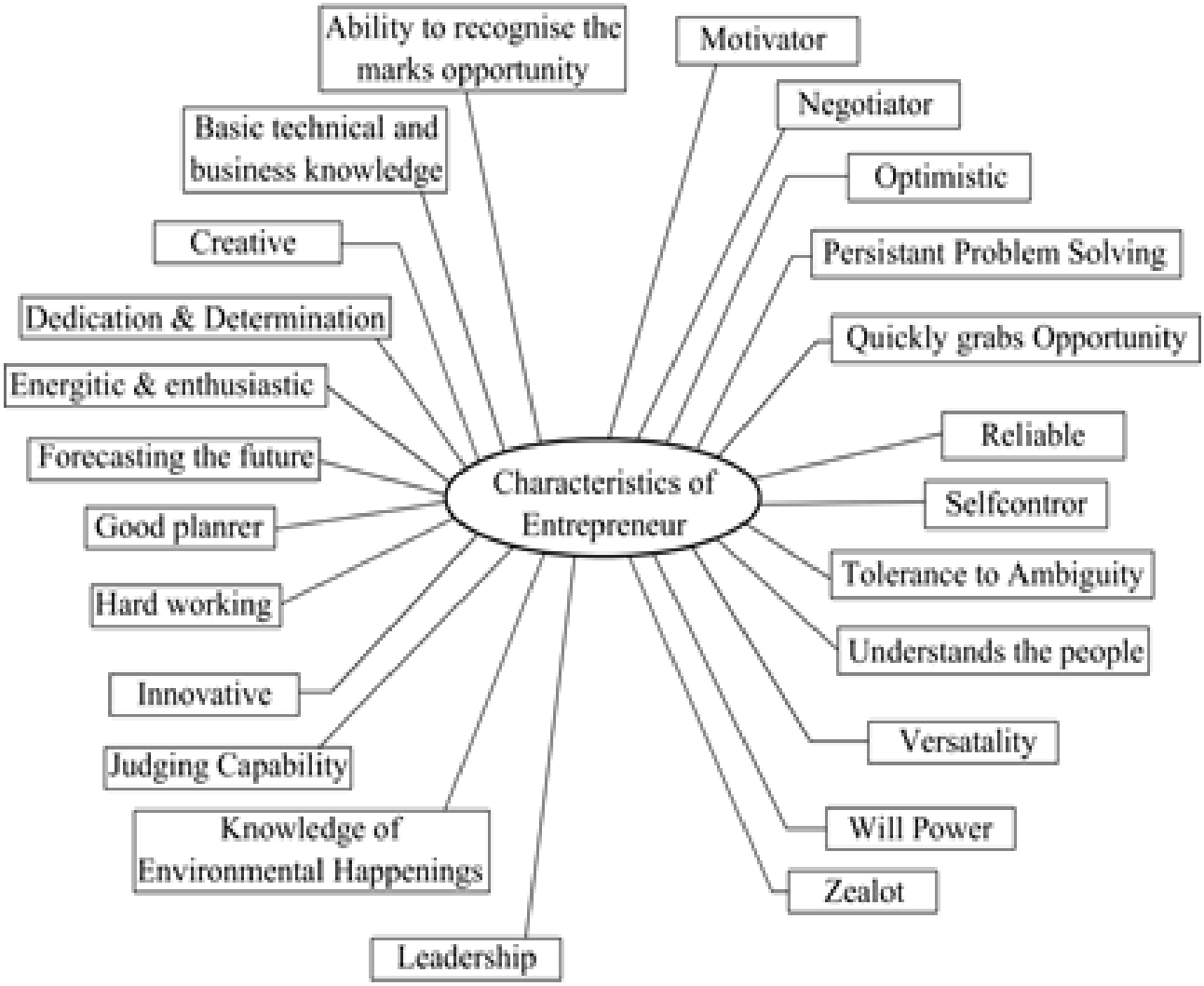
Keywords: *Entrepreneurship, Market Practices, Customer Loyalty, Technology, Risk.*

Introduction

Entrepreneurs are the backbone of any economy. In previous days, India is considered to purely agrarian economy, but now with the advent of Third Wave front, India is witnessing growth in many sectors, such as industry sector as well as service sector in addition to the agriculture sector. Many entrepreneurs have started ventures and many of them have touched the pinnacles. We can take numerous examples of such Indian entrepreneurs in the last two decades: Café Coffee Day, Flipkart, Goibibo, InMobi, Mouthshut.com, Ola cabs, Oyo Rooms, Quikr, Paytm and Snapdeal are some of the successful ventures of entrepreneurs in the last two decades.

*Associate Professor
Acharya Bangalore B-School (ABBS), Andrahalli Main Road, Off Magadi Road, Bengaluru – 560 091, India.
E-mail: naresh.research2010@gmail.com

Figure 1: Characteristics of Entrepreneurs



Review of Literature

Quite a few studies have been carried out on entrepreneurship and the aspects which influence the entrepreneurial behavior. But there are some research studies which are more relevant to the entrepreneurial qualities which are as follows.

There will be different states in startups and each stage needs finance in different proportions. The start-up companies will be subjected to high-tech projects, and are sometimes lost the way to achieve success. Many Start-up companies rely on conventional and informal sources of funds such as family, friends, brokers, money lenders, relatives & neighbors and take private finance, financial assistance. Once after stabilizing, the entrepreneurs dare to approach different funding sources, such as angel investors, seed investors and venture capitalists (Calopa, Horvat and Lalic, 2014).

In the study on "Financing Constraints and Entrepreneurship" the presenters reviewed two major streams, the influence of development of financial markets on the entrepreneurship and the differences among the individuals of examining how they can start the new businesses which is related to individual wealth or changes occurring in the environment. The study has explained the concept of entrepreneurship and financing constraints very well, and there is an ambiguity among the entrepreneurs in solving the financial issues. IT also throws light on Government's goal as Promoting entrepreneurship, and there should be a policy so that entrepreneurship flourishes in the society (Kerr and Nanda, 2009).

The role of culture, government and financial institutions will influence the development of entrepreneurship systems in any economy. Entrepreneurship supports for Special groups of

people and some sub-areas will be supported by Entrepreneurship. Though entrepreneurship as a part of Family business or as a spinoff will contribute to regional economic development, but not yielding the expected results. Today the world is becoming technically advanced, and hence economic growth has been seen due to innovations which is contributing to the economic development and is becoming a dominant policy in many of the regions (Stough, 2016).

Entrepreneurship takes birth and grows in local eco systems, but the startups with high technology will have to compete internationally for financing as well as the customers. In some instances the overconfidence of the Entrepreneurs may lead to failure of new firms, but those who follow conventional approaches may also miss out the opportunities due to lack of learning. Hence adopting the perfect approach with respect to conventional and external product platforms is considered to be very important for long run sustainability. Thus selecting and implementing the right platform of ecosystems not only yield innovative products in the society but also improves the emergence designs of dominant nature (Aaltonen, 2016).

Entrepreneurship can be considered as an experiment which allows societies and individuals to examine businesses and emerging technologies with higher uncertainty than unlocking huge growth opportunities. Specialists in economics should have two different thoughts of experimentation, One being the economic experiment which occurs in market-based economies where emerging/innovative ideas, products and technologies replace existing technologies, and the second is micro-level and less-appreciated form of experimentation, which is the process of getting new ideas to the market before these ideas compete in the market (Kerr, Nanda and Rhodes-Kropf, 2014).

The decision making in start-ups is directly related to the pro-activeness and risk-taking aspects of an entrepreneur, the age of entrepreneur is inversely related to the education of entrepreneur. Also it is observed that, the innovativeness of entrepreneurs is not a huge impacting factor of startup business. Also the investors are looking at the risk taking nature as well as the pro-activeness of the entrepreneurs, age and education at the time of investment. Entrepreneurial training programs are so helpful to the less educated entrepreneurs in providing greater returns (Kropp, Lindsay and Shoham, 2008).

The firms that have emerged due to entrepreneurial efforts are too diverse to permit generalization, and this phenomenon has become multidimensional if we consider the starting and progressing of the firm. There are many factors which differentiate the Entrepreneurs and firms such as choices, attitude, behavior, environment and actions and their response to internal and external circumstances. In reality, we can say that there is no single approach or a model which can describe the creation of a new venture. Some integrated frameworks attempted to provide a model of creation of a new venture by entrepreneurs, but even then we can believe that there is no perfect model which can describe the behavior of different sets of entrepreneurs. (Evers, 2003).

Need for the Study

Though entrepreneurship is booming now-a-days in India, there are many factors which are dragging back the performance of entrepreneurs. Due to some failures, there are some enthusiasts who are dropping the ideas from becoming the entrepreneurs. There are some people who need some guidance so that they also. So a study has been conducted by considering the most influential variables of entrepreneurship.

Scope of the Study

Present study focuses on the startups and a sample of entrepreneurs and prospective (budding) entrepreneurs from the states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu in southern India.

Objectives of the Study

1. To analyze the strategies of budding entrepreneurs in terms of industry analysis and competitor analysis
2. To study the relationship between tastes and preferences and loyalty of the customers.
3. To identify the influential factors which are impacting the budding entrepreneurs in positive manner

Methodology Used

Research Type: Empirical

Sample Type: Convenience sampling

Sample Size: 188*

Data Collection Tool: Structured questionnaire

Questionnaire Type: Close-ended Type

Analytical Tools: Chi-square analysis

* indicates that the total sample taken for the purpose of study was 200, but we have discarded 12 questionnaires as those questionnaires were not completely filled.

Analysis

Table 1: Opinion regarding Market Strategies and Obsolescence in the Industry

Opinion	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Strongly agree	4	16	12	0	0	32
Agree	4	40	24	4	8	80
Neutral	8	28	8	4	0	48
Disagree	0	8	4	8	0	20
Strongly Disagree	4	0	4	0	0	8
Total	20	92	52	16	8	188

Source: Author's Analysis

H_o: *Because of high rate of obsoleteness the companies need not change market practices very frequently.*

H_a: *Because of high rate of obsoleteness the companies need to change market practices very frequently.*

Table 2: Chi-square Test

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Strongly agree	3.4	15.65	8.83	2.72	1.32
Agree	8.50	39.14	22.12	6.80	1.32
Neutral	5.10	23.48	13.28	4.08	2.04
Disagree	2.12	9.78	5.54	1.70	0.86
Strongly Disagree	0.86	3.92	2.22	0.68	0.34

Source: Author's Analysis

X^2 value calculated =188.04

Degree of freedom = 9

X^2 value 99% and degrees of freedom (df) 9, is 21.666

As the calculated X^2 value is greater than the Table 1 value, reject the null hypothesis, and hence we can tell that investment in mature technologies is resulting in improvement of the productivity in many of the firms.

Table 3: Opinion towards Risky Nature of the Industry and Failure of the Industry

Opinion	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Strongly agree	16	16	0	4	4	40
Agree	8	32	36	8	0	64
Neutral	0	12	24	12	0	48
Disagree	0	4	12	16	0	32
Strongly Disagree	0	0	0	0	4	4
Total	24	44	72	40	8	188

Source: Author's Analysis

H_o: *Risky nature of the industry is the reason for failure in business.*

H_a: *Risky nature of the industry is not the reason for failure in business.*

Table 4: Chi-square Test

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Strongly agree	5.10	9.36	15.32	8.52	1.70
Agree	2.72	14.98	24.50	13.62	2.72
Neutral	6.12	11.24	18.40	10.22	2.04
Disagree	4.08	7.48	12.26	6.80	1.36
Strongly Disagree	0.50	0.94	1.54	0.86	0.16

Source: Author's Analysis

X^2 value calculated = 182.54

Degree of freedom = 16

X^2 value 99% and degrees of freedom (df) 16, is 32

As the calculated X^2 value is greater than the Table 3 value, reject the null hypothesis, and hence we can tell that the risky nature of the business is not the reason of failure in the business, this tells us that there are many other reasons which are causing the failure in the business.

Table 5: Customer Loyalty and prediction of Tastes and Preferences

Opinion	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Strongly agree	8	20	4	8	0	40
Agree	8	24	12	16	4	64
Neutral	0	8	12	16	0	36
Disagree	0	4	12	28	0	44
Strongly Disagree	0	0	4	0	0	4
Total	16	56	44	68	4	188

Source: Author's Analysis

H_o: *Tastes and preferences determines the loyalty of the customers.*

H_a: *Tastes and preferences will not determine the loyalty of the customers.*

Table 6: Chi-square Test

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Strongly agree	3.40	11.92	9.36	14.46	0.86
Agree	5.44	19.06	15.92	23.14	1.36
Neutral	3.06	10.72	8.42	13.02	0.76
Disagree	3.74	13.1	10.28	15.90	0.94
Strongly Disagree	0.34	1.20	0.94	1.44	0.08

Source: Author's Analysis

X^2 value calculated = 187.60

Degree of freedom = 16

X^2 value 99% and degrees of freedom (df) 16, is 32

As the calculated X^2 value is greater than the Table 5 value, reject the null hypothesis, and hence we can tell that the tastes and preferences is not determining the customer loyalty and the hence the tastes and preferences of the customers are changing even in short runs.

Limitations of the Study

1. The present study is limited to few regions of selected states and the same is not applicable to the total population of entrepreneurs and prospective entrepreneurs.
2. The perceptual behavior depends upon the demographic factors of the sample which also need to be considered as one of the limiting factor of this research.

Conclusion

From the present study it can be concluded that there are various reasons which are determining the success of entrepreneurs. Innovation can be considered as one of the most influential factors for getting success. Proactiveness is another factor which is resulting in success of the new entrepreneurs. The companies which are identifying the latent demand are getting huge success within short span of time. Industry analysis is also become crucial for getting success. Innovative technologies and training with mature technologies are also becoming reasons for success. In many of the instances the customer loyalty is less as the customers are demanding more and more innovation in the products and services.

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