

# The Role of India's Entrepreneurship Ecosystem in Fostering Entrepreneurial Tendencies for Community Development

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**Abstract:** This study sought to determine the impact of entrepreneurial ecosystems on the inculcation of entrepreneurial tendencies for community development. Since India's independence, the encouragement of entrepreneurship has existed. The government has shown tremendous support for the expansion of entrepreneurship. The government has provided financial assistance through programs such as the Women Enterprise Fund, Youth Enterprise Fund, and Uwezo Fund. Other forms of government assistance include the improvement of infrastructure, the introduction of entrepreneurship education in all institutions of higher education, and the improvement of national security. In spite of this, community underdevelopment has remained excruciating. This study aimed to determine whether entrepreneurial ecosystems have any effect on community development. Entrepreneurial ecosystems are influenced by government policy, the availability of capital, human capital, and market conditions. Individuals operating microenterprises in Nyeri Town constituted the population analyzed. The proprietors of 478 microenterprises were chosen. Using a statistical formula, the sample size of 236 was determined to be within the acceptable range. Economic theory, psychological theory, and social-cultural theory constitute the theoretical foundations of this investigation. A questionnaire was distributed, and 212 individuals responded. SPSS was then used to analyze the data. According to the findings, government policies contribute 0.77 percent to the inculcation of an entrepreneurial disposition. The research revealed a strong correlation of 0.79 between financial access and the inculcation of entrepreneurial tendencies that contribute to community development. The study also revealed a moderately positive correlation between 0.65 on how human capital contributes to the inculcation of an entrepreneurial disposition for the development of communities. The state of the markets indicated a correlation of 0.63, which is moderate. The results are presented in tables. Based on the research findings, the researcher recommended that the government re-examine its current policies and amend those that are detrimental to entrepreneurial inclination. The investigation disclosed that although the government has made funds available, they are not accessible due to borrowing regulations. Unfortunately, India's existing human resources are uneducated and unskilled, as it is a nation with a high demand for human capital. The study recommended entrepreneurship training not only at the institutional level but also for already-established entrepreneurs. Self-efficacy is a person's estimation of his or her capacity to carry out an action (Bandura, 1986). The degree to which a person believes he or she can effectively perform the various roles and responsibilities of entrepreneurship (Chen et al., 1998)

## I. Introduction

Since the 16th century, the notion of what an entrepreneur is and what entrepreneurship is has existed. Early in the sixteenth century, individuals who engaged in military expeditions were referred to as entrepreneurs (Khanka, 2000). In the seventeenth century, the term entrepreneur referred to civil engineers engaging in construction activities. Since the 18th

century, the term entrepreneur has been regarded from an economic standpoint (Khanka, 2000). Richard Cantillon is believed to have been the first individual to use the term entrepreneur. From his perspective, an entrepreneur was a risk-taker, a person who purchased products at one price and then resold them at an uncertain price, thereby operating at risk (Khanka, 2000). Entrepreneurship is associated not only with the growth of technological innovation and commercial application but also with the expansion of employment and competitiveness (Nystrom, 2008). Since more than two decades ago, academic studies and economic policies have linked entrepreneurial activity with economic growth (Lina, 2011). Previous research has demonstrated the impact of entrepreneurship on the economic growth and development of any nation (Ma'rio, 2010; Linana, 2011), particularly in higher-income nations (Ma'rio, 2010; Linana, 2011). Reynolds (2001) emphasized in the Global Entrepreneurship Monitor that individuals with limited education are unlikely to engage in entrepreneurial activities. From Turk and Selcuk's (2009) findings, it can be inferred that receiving an adequate and appropriate education plays a significant role in fostering an entrepreneurial mindset among university students. Many nations have recognized entrepreneurship as the engine that powers their economies and societies (Albert, 2004). Scholars and policymakers have recognized the significance of embracing entrepreneurship in the educational system as a result (Albert, 2004).

## **II. The Concept of Environmental Dynamism**

Environmental dynamism refers to the frequency of environmental change. According to Wijbenga and Van Witteloostuign (2007), it is the rate at which consumers' preferences and organizations' services evolve over time. An entrepreneurial act can alleviate a constraint rather than being constrained by it (Rammel, 2003). This can be accomplished, among other methods, by shifting or substituting resources. This would include implementing new technologies and modifying business models to address the issues. It may also involve the creation of new forms of contracts within the organization. Rammel, 2003. A constraint on the environment may be a function of an incentive within which entrepreneurial agents can identify business opportunities.

According to a study by Zapalska (2003), numerous environmental factors affect New Zealand entrepreneurs. In his study, Ullah (2011) emphasized that environmental heterogeneity and environmental dynamism are significant predictors of entrepreneurial orientation and have a positive influence on entrepreneurial propensity. In his study, Jalali (2012) discovered that environmental factors affected risk-taking and inventiveness, which are regarded as fundamental dimensions of entrepreneurial propensity. According to Gul (2011), environmental dynamism has a positive impact on firm performance. Economic evolution, characterized by creative destruction, dominates the sluggish evolutionary dynamics of the ecosystem, thereby reducing its resilience (Gual and Norgaard, 2010). Metcalfe (1998) confirms that the economic order's knowledge base is constantly evolving. Environmental dynamism's capabilities influence the formation of new businesses and shape their resource positions and capabilities, thereby influencing their performance (Zott, 2003). Jantunen (2005) investigated the connection between entrepreneurial propensity and internationalized performance. The findings revealed that environmental dynamics have a significant impact on the performance of international firms (Jantunen, 2005). Environmental dynamism aids in leveraging entrepreneurial resources to the advantage of new businesses (Wu, 2007). According to a study by Teece (2007), new ventures rely on environmental sensing and response capabilities in order to dynamically adapt to a new, complex environment. In the

end, new ventures acquire environmental knowledge, configure it, and integrate its operational capabilities.

Change internally and effectively respond to new market demand in order to achieve dynamic alignment between internal resources and the external environment.

### III. THEORY OF ECONOMIC STRUCTURE

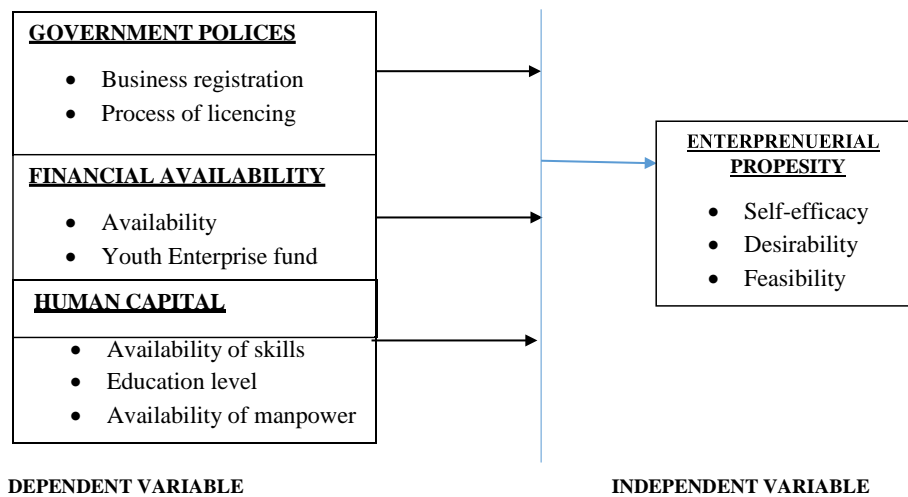
The economic theory contends that entrepreneurial activity is a product of the economic environment in which it exists. According to this theory, an entrepreneur is a person who combines resources or production factors to increase their value. In his book "An Inquiry into the Nature and Causes of the Wealth of Nations," Adam Smith argues that an entrepreneur is an economic agent and innovator who introduces new products and production methods. (Smith, 1776). The theory asserts that entrepreneurs must be able to combine other production factors, such as land, capital, and entrepreneurial abilities, in order to succeed. Many enterprises fail because they disregard other production factors.

1. **PSYCHOLOGICAL TRAIT THEORY** According to psychological theory, distinctive values, attitudes, and requirements drive entrepreneurs. It asserts that personality traits are the primary determinants of entrepreneurial behavior. The argument is that individuals are likely to become entrepreneurs due to their genetic or biological ties. According to this theory, entrepreneurs are influenced by their desire for independence. (McClelland, 1996) The need for achievement is the first personality trait that leads to entrepreneurial affiliation and the urge to assume personal responsibility to invest in and manage a business. The psychological trait theory relates individuals with a high need for achievement to those whose parents set high expectations for them as children. According to this theory, it can be argued that entrepreneurs are born, not created. This theory is contradicted by the fact that the environment also influences a person's behavior. This demonstrates that a person does not indulge in entrepreneurship solely due to their personality but that their environment also plays a significant role in their decision to do so.
2. **SOCIO-CULTURAL CONCEPTION** This theory asserts that social and cultural factors are the primary determinants of an individual's entrepreneurial abilities. Included among these social factors are family, peers, education, work experience, and even role models. For a person to become an entrepreneur, he or she must associate with other entrepreneurs or individuals with entrepreneurial characteristics. This is especially true if the individual is a close relative or a parent. This connection provides crucial social support for business growth (Kent, 1981). According to this theory, some entrepreneurs may have succeeded due to the influence of family or peers, implying that they are doomed to fail if they never get there on their own initiative.

### IV. Conceptual Structure

A conceptual framework is a presentation template. The researcher conceptualizes the existing relationships between the variables under study and then either diagrams or graphs the relationships (Ortho, 2008). Orotu (2008) defines a conceptual framework as a hypothesized model that identifies variables under investigation and illustrates their relationship. This study's variables were classified as dependent and independent variables. According to Mugenda (2008), the independent variables can also be referred to as predictor variables. This is due to the fact that they are used to predict variation in relation to another variable. According to Mugenda (2008), the dependent variable can also be referred to as the criterion variable. This is primarily due to the fact that this variable is affected by another variable. Explaining the dependent variable is the purpose of the research. The variables under investigation analyzed how government policies, financial accessibility, the human market, and the state of markets affect entrepreneurial propensity and its cascading effect on community development.

Conceptual Frame work (E.E)



## FINANCIAL ACCESSIBILITY

The inability to access funding easily is a result of restrictive regulations imposed by financial institutions, which have severely hindered the expansion of entrepreneurship. Entrepreneurship requires substantial start-up capital, and the availability of capital financing is one of the most important factors influencing the development of entrepreneurship in India. Still and Guerin (1991) regarded financing issues as a significant issue for entrepreneurs at the operational level. They observed that banks are reluctant to sanction loan requests for new ventures with no track record. The World Bank (2001) rated financial obstacles as the second factor that hinders entrepreneurial growth in developing nations, after corruption. The availability of financial services is one of the most important factors for the continued existence of the majority of newly formed businesses and an essential element of entrepreneurship practice (Shuo, 2014). The study by Shuo (2014) reveals that the government uses direct subsidies, tax incentives, and government procurement to inject a substantial amount of resources into the entrepreneurial process. Achieving economic development through entrepreneurship necessitates that the policy document establishing the assistance program be funded.

#### **IV. RESEARCH METHODOLOGY**

The methodology chapter dealt with a description of the methods used by the researcher to carry out the research. It is divided into sections entitled research design, procedures, research instruments, and data collection procedures.

##### **RESEARCH DESIGN**

Research (Orotho, 2003) defines a research design as a scheme, outline, or plan used to generate solutions to research problems. In this investigation, a descriptive survey research design was utilized. This research design allowed the researcher to quantitatively assess the degree of the relationship between the variables. The design allowed the researcher to examine the interrelationship between a large number of variables within a single study. The design permits the analysis of the interrelationship between a large number of variables within a single study. It assisted in analyzing how several variables, individually or in combination, influence the studied phenomenon. Descriptive research can be conducted merely to identify variables worthy of experimental study, and it is also simple to administer.

##### **Population**

This study's population of interest consisted of stratified micro- and small-business proprietors in Nyeri County. A sample of 62 of the 206 registered business owners in Nyeri Municipality was chosen for investigation. Sampling and Sampling Method The Nyeri Municipal Council provided a listing of 206 registered business-owned enterprises. A stratified sampling method was used to generate 62 respondents from the population of 206. Simple random sampling was used to generate the sample size from the stratum. Seven businesses from the service industry were sampled: six from the agro-based industry, 11 from the apparel and textile industry, four from the transportation industry, and 34 from the trade industry.

The sample was a fair representation of the population (Dixon and Leach, 1984). Adequacy and available resources should determine the sample size, which should be sufficient to capture response variability and facilitate analysis. The basic random sampling method was used to obtain a representative sample because it is advantageous. This technique was employed because each element of the target population had an equal chance of being selected (Cochran, 1977). A sample of 30 percent of the population is adequate for the study (Orotho, 2005).

**Table 3:1: Target Population in Nyeri Municipality Sampling Procedure**

Type of Trade	Total Population 30%	Total Sample Size
Trade	108	34
Transport	14	4
Agro-based	20	6
Service	26	7
Clothing and Textile	38	11
<b>Grand Total</b>	<b>206</b>	<b>62</b>

### **Instruments**

This investigation utilized a questionnaire as its research instrument. A one-on-one interview was conducted to elicit all the answers necessary for the accomplishment of the study. Structured and semi-structured tests were given. The survey was administered during business hours to assure a high response rate and rapid rate of coverage. One of the benefits of this instrument is that it can be administered simultaneously to a large number of respondents and that it ensures uniformity. Validity and trustworthiness Validity is the capacity of an instrument to measure what it is intended to measure, whereas reliability is the application of the same instrument to other groups to determine whether it will produce the same results. It is used as a consistency metric. (Donald and Delnord, 2000) A pre-test helps identify some of the shortcomings that are likely to occur during the actual study. Validity and reliability are utilized to measure the research instrument's variability and dependability. A pilot test was conducted in Othaya, which is approximately 25 kilometers from Nyeri. Corrections and modifications were made.

### **Data collection methods**

The collection of primary data utilized both open-ended and closed questionnaires. Preparations were made for data collection, and face-to-face interviews were used to clarify any ambiguities. Interviews allowed for more in-depth data acquisition and reduced misinterpretations and inconsistencies. The results of a qualitative analysis of interview data were used to draw conclusions and make recommendations.

### **Data Analysis**

Donald and Delno (2006) assert that data analysis is essential because it identifies the findings' outcomes and research openings for future study. The data was analyzed with sophisticated inferential statistics. Coding the collected data allowed the researcher to conduct statistical analysis. A statistical application for social services (SPSS) was used to analyze quantitative data.

## **VI. Introduction**

This chapter presents the results of the sampled respondents' data collection. The data was collected from business proprietors in the service, retail, transportation, agricultural, textile, and apparel industries. 54 respondents out of the 62 targeted by the study participated in it. The response rate of the target audience was 87%.

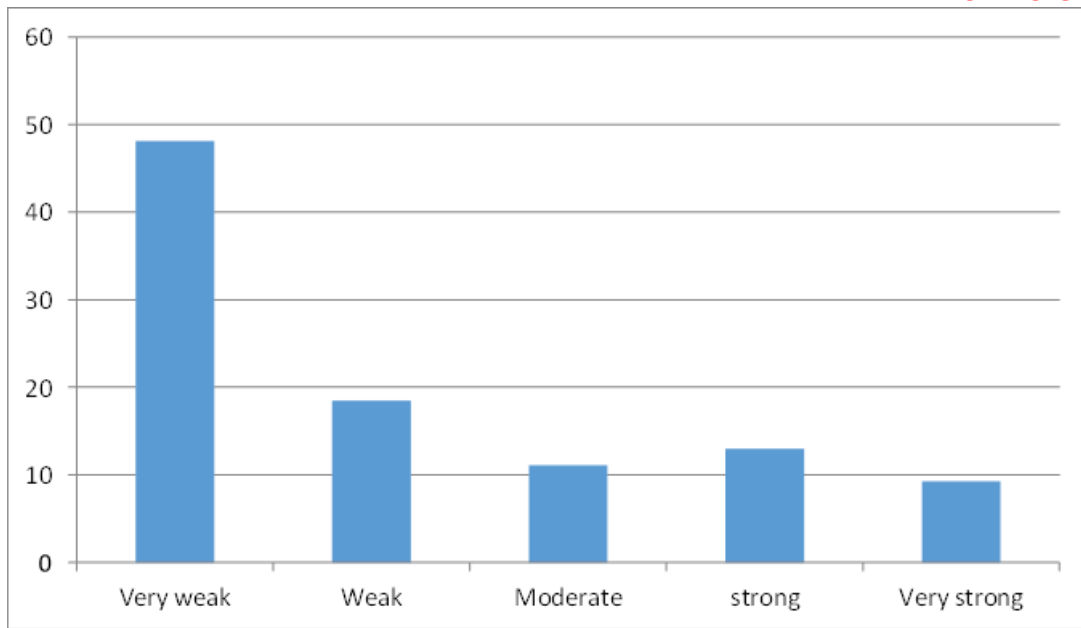
### Response Rate

TYPE OF INDUSTRY	TOTAL POPULATION	SAMPLE SIZE	RESPONSE RATE
Trade	108	34	28
Transport	14	4	3
Agro-Based	20	6	5
Services	26	7	7
Clothing and Textile	38	11	11
Grand Total	206	62	54

The interpretation of the data was based on the research topics. The analysis was performed using inferential statistics, and the study's findings were presented using tables, bar charts, and pie charts. The discussion was founded on SPSS output. To obtain comprehensive results from the database, inferential statistics were employed. Pearson's correlation analysis is employed as an inferential statistic. It has been utilized to establish the existence of the relationship between the variables and determine its extent.

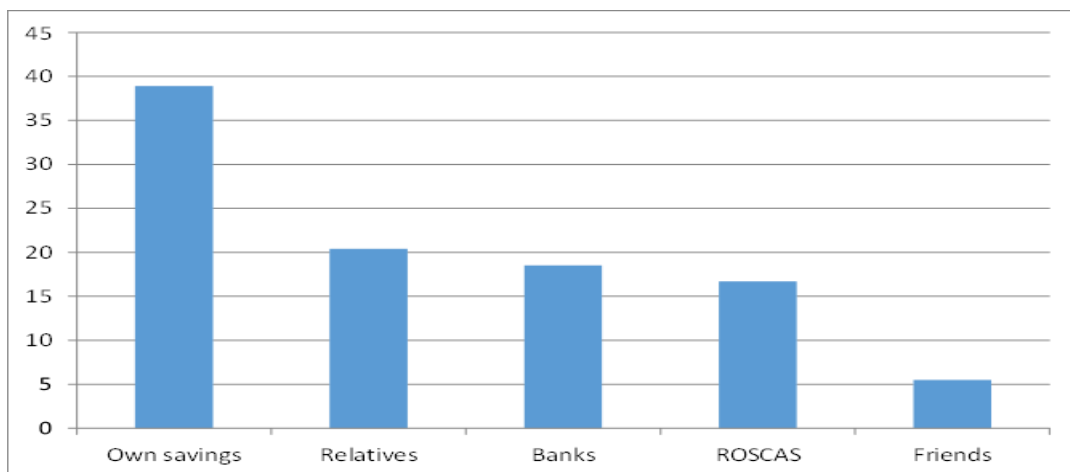
### Descriptive Results

This section presents the outcomes of the study's findings and data analysis. The majority of the information came from various enterprise operators. The discussion was linked to the study's objectives and research questions in order to help identify the dynamic factors that influence entrepreneurial propensity for community development. Evaluation of Business Owners' Performance over the Past Five Years Respondents were asked to evaluate the enterprise proprietors' performance over the past five years. 48.1% of respondents deemed the performance to be extremely poor. 18.5 percent of respondents felt the company performed inadequately, 11.1% felt it was moderately weak, 13% felt it was strong, and 9.3 percent felt it was very strong. The results are depicted in the following diagram:



### Financial Accessibility

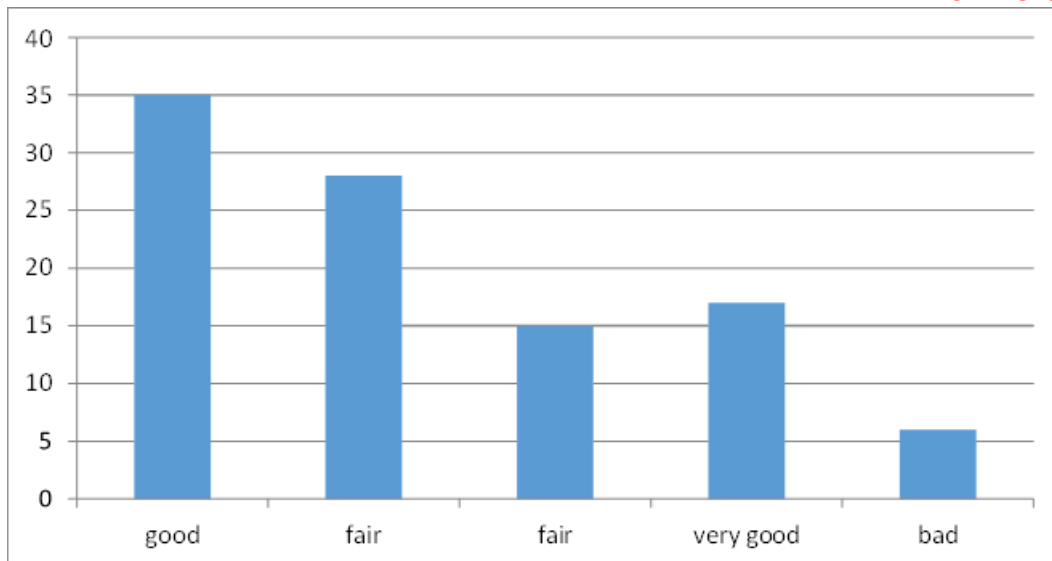
The respondents were questioned regarding the source of their startup or initial capital. The preponderance of their funding came from personal savings, as shown in the graph below. 38.9% of the target population began their businesses with their own savings, 24.0% with funds from family, 18.5% from banks, 16.7% from ROSCAS, and 5.9% from acquaintances. A number of respondents described the difficulties they encountered when attempting to access funds from formal lending institutions, as the majority of them lacked collateral.



### Loan Repayment Routines

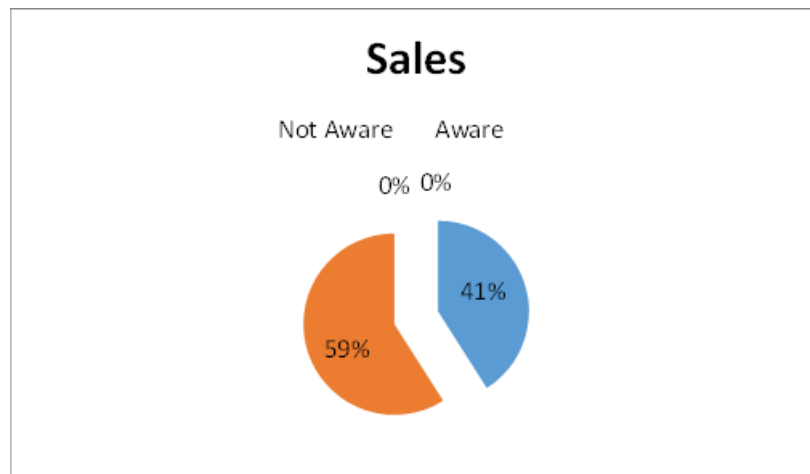
As shown in the graph below, 35.2% of respondents rated their ability to repay loans as good, 28% as fair, 15% as very fair, 17% as excellent, and 6% as poor. Women's Enterprise Fund 59% of respondents indicated that they were aware.





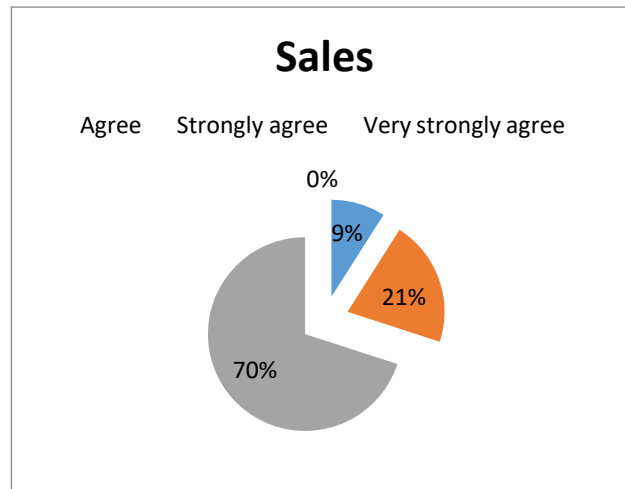
### Women's Enterprise

Fund, while 41% indicated that they were unaware, as depicted in the following graph. However, the study revealed that even those who are aware of the funds are not recipients of them.



### Impact of Financial Availability

The respondents were asked how they believed financial access affected the efficacy of their business. 70.37 percent strongly agreed that financial accessibility influences their performance, 20.37 percent agreed, and 9.26 percent agreed that financial accessibility influences the matriculation of their businesses. The outcomes are depicted in the following figure:



**Loan Repayment pattern**

## DATA ANALYSIS

The relationship between financial accessibility and entrepreneurial propensity

		Financial accessibility for entrepreneurial propensity
Loan repayment pattern	Pearson Correlation Sig. (2-tailed) N	.250* .069 54
Accessibility of funds	Pearson Correlation Sig. (2-tailed) N	.656* .088 54
Influence of financial accessibility for entrepreneurial dynamisms	Pearson Correlation Sig. (2-tailed) N	.504 .000 54
Contribution of finances towards community development	Pearson Correlation Sig. (2-tailed) N	1 .000 54

The study examined financial access as a driver of entrepreneurial inclination. 0.250 (r) indicates a moderately positive correlation. The determination correlation ( $r^2$ ) was 0.0625. This indicates that 6.25 percent of the variations in their loan repayment pattern can be explained by financial access, while the remainder can be explained by other factors in the error term.

## VII. Conclusion

The chapter provides a summary of the research findings, and the researcher's conclusion and recommendations are based on these findings. Financial access as a catalyst for entrepreneurial inclination

**Financial Accessibility** The study revealed that business proprietors began their companies with funds from personal savings rather than loans from financial lending institutions. This is because financial institutions attach collateral to every type of funding. Few borrowers were excellent at loan repayment, but this has not influenced banks to lend without collateral. 59% knew about women. However, few businesses have benefited from the enterprise fund. According to the results of the study, financial accessibility affects the dynamism of entrepreneurial propensities for community development.

### Recommendations

Based on the aforementioned findings and conclusion, the study recommended the following: **Financial Accessibilities** As financial accessibility appears to be a significant barrier, the government should consider providing startup capital. The government and the private sector should consider investing in existing businesses to assist them in becoming more profitable and productive.

In addition, the study would suggest fostering partnerships and collaborations between the government and the private sector. Collaborations between the government and the private sector can lead to cost-effective programs that stimulate economic growth. The value of networking in gaining access to capital, loans, and information should be emphasized to business proprietors.

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