

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political and psychological factors. These conditions may have both positive and negative influences on the emergence of entrepreneurship. Some of the factors are given below.

Economic Factors

- 1. Capital:** The factors which promote economic development account for the emergence of entrepreneurship also. Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the entrepreneur to bring together the land of one, machine of another, and raw material of yet another to combine them to produce goods. With an increase in capital investment capital output ratio also tends to increase , which results in increase in profit which ultimately goes to capital formation. Thus as capital supply increases , entrepreneurship also increases.

Economic factors contd.

2. **Labour:** Easy availability of right type of workers also affect entrepreneurship. The quality rather than quantity of labour influences the emergence and growth of entrepreneurship. The problem of labour immobility can be solved by providing infrastructural facilities including efficient transportation.

The quality rather quantity of labour is another factor which influences the emergence of entrepreneurship. Most less developed countries are labour rich nations owing to a dense and even increasing population. But entrepreneurship is encouraged if there is a mobile and flexible labour force

3. Raw Materials: It is one of the basic ingredients required for production. Shortage of raw materials can adversely affect entrepreneurial environment. Without adequate supply of raw materials no industry can function properly and emergence of entrepreneurship too is adversely affected.

In fact, the supply of raw materials is not influenced by themselves but becomes influential depending upon other opportunity conditions. The more favourable these conditions are, the more likely is the raw material to have its influence on entrepreneurial emergence.

4. Market: The role and importance of market and marketing is very important for the growth of entrepreneurship. In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques.

The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. However, the disadvantage of a competitive market can be cancelled to some extent by improvement in transportation system facilitating the movement of raw material and finished goods, and increasing the demand for producer goods.

5. Infrastructure: Expansion of entrepreneurship presupposes properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of business too.

Apart from the above factors, institutions like trade/ business associations, business schools, libraries, etc. also make valuable contribution towards promoting and sustaining entrepreneurship' in the economy

Social Factors

Social factors can go a long way in encouraging entrepreneurship. The social setting in which the people grow, shapes their basic beliefs, values and norms.

The main components of social environment are as follows:

- 1. Caste Factor:**

There are certain cultural practices and values in every society which influence the' actions of individuals. These practices and values have evolved over hundred of years.

The caste system does not permit an individual who is born a Shudra to move to a higher caste. Thus, commercial activities were the monopoly of the Vaishyas. Members of the three other Hindu Varnas did not become interested in trade and commerce, even when India had extensive commercial inter-relations with many foreign countries. Dominance of certain ethnical groups in entrepreneurship is a global phenomenon

2. Family Background: This factor includes size of family, type of family and economic status of family. Background of a family in manufacturing provided a source of industrial entrepreneurship. Occupational and social status of the family influenced mobility. There are certain circumstances where very few people would have to be venturesome. For example in a society where the joint family system is in vogue, those members of joint family who gain wealth by their hard work denied the opportunity to enjoy the fruits of their labour because they have to share their wealth with the other members of the family.

Education

- 3 Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

In India, the system of education prior to the 20th century was based on religion. In this rigid system, critical and questioning attitudes towards society were discouraged. The caste system and the resultant occupational structure were reinforced by such education. It promoted the idea that business is not a respectable occupation. Later, when the British came to our country, they introduced an education system, just to produce clerks and accountants for the East India Company. The base of such a system, as you can well see, is very anti-entrepreneurial.

Our educational methods have not changed much even today. The emphasis is still on preparing students for standard jobs, rather than making them capable enough to stand on their feet.

4. Attitude of the Society

A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity. It is said, that in Russia, in the nineteenth century, the upper classes did not like entrepreneurs. For them, cultivating the land meant a good life. They believed that land belongs to God and the produce of the land was nothing but god's blessing. Russian folk-tales, proverbs and songs during this period carried the message that making wealth through business was not right.

5 Cultural Value

This motivates men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society. If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised; wealth accumulation as a way of life would be appreciated.