

Muddling Through Environmental Dynamics of Entrepreneurship: A Study on Entrepreneurship Intentions of B-School Students in Gujarat

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Abstract

Entrepreneurial intention is the primary step in the entrepreneurial process of creating a new venture. Environmental conditions are one of the main factors that are strengthening or weakening the intention of a potential entrepreneur. Therefore, it is important to develop an environment conducive to entrepreneurship to promote entrepreneurial intention. Moreover, a promoted entrepreneurial motive will increase the rate of new venture formation. In the light of the facts mentioned above, an attempt has been made to study the factors affecting the entrepreneurial climate in the state of Gujarat.

In this paper, I have tested the effects of five conducive entrepreneurial environments; government policies and procedures, socio-economic conditions, entrepreneurial and business skills, financial assistance and non-financial assistance; on entrepreneurial intention and the relative importance of these environmental factors among students of B-School in Gujarat.

Keywords

Entrepreneurship, B-School Students, Gujarat.

Introduction

Entrepreneurs are innovative and adaptive individuals who explore new opportunities and are willing to take risks associated with change (Berna, 1960). In many management literatures, the concept of entrepreneurship refers to the risk-taking ability of an individual; however, the

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economic literature rejects the argument as presented in the management literature and suggests that entrepreneurs are risk averse or risk neutral.

Developing an entrepreneurial initiative requires a different type of knowledge - even more than established companies, which contain a lot of knowledge needed for day-to-day operations (Welsh, Parida, & Patel, 2013). Entrepreneurs need a practical, analytical, and creative mind that increases their chances of success along with self-efficacy (Baum and Bird, 2010). A lot of knowledge and intelligence must be mastered by the founders of the company to get through its initial stages, but over time, a lot of new knowledge must be created and acquired in other ways (Friesl, 2012). This requires a high degree of absorption capacity on the part of the entrepreneur; Without the ability to filter and fully absorb a large amount of knowledge, the firm cannot use any knowledge at its disposal (Larrañeta, Zahra, & Gonzalez, 2012; Qian, Acs, & Stough, 2013). In addition, management knowledge becomes more important as firms grow. Gujarat is known for its business and industrial community. Part of the situation, Gujarat has become a natural choice for investors and entrepreneurs because of its business climate, reliable infrastructure, rich natural resources, skilled workforce and supportive government policies. The government promotes start-ups by supporting them in identifying, networking, mentoring and incubating business ideas and opportunities.

Literature Review

Entrepreneurs do not act in a vacuum, but react to the entrepreneurial environment around them (Peters & Waterman, 1982). The business environment is identified as an important factor in the growth of entrepreneurship in several regions (Gnyawali & Fogel, 1994). The study of the telecommunication environment focuses on several frames.

For example, research on the effect of competence and value perception has significantly affected the construct (Liñan, 2008). In a study of start-up firms in Sweden, Davidsson and Henriksson (2002) found that institutional arrangements influence entrepreneurial performance. The interaction between the business environment and the development of entrepreneurship has been analyzed in Hungary and shown to be an important factor for the development of entrepreneurship (Fogel, 2001).

Mishra & Bal (1997) conducted an empirical study on the promotion of entrepreneurship in seven districts of Orissa. The author analyzed data collected from a sample of 110 entrepreneurs. Many factors - financial, institutional, cultural and political structures, general socioeconomic conditions, government policies, individual preferences and desires - have been

considered responsible for entrepreneurial activity in any country at any time. People's behavior is driven by their desires, actions, desires and needs supported by motivational factors to do entrepreneurship. The age and previous occupation, the state of dependence, and the persistence of the elders are the factors that influence it. Among the internal and external factors, business practices and liberal financial assistance from financial institutions emerged as key factors. Availability of raw materials, government marketing support, availability of infrastructure and technology, moral support are other main motivating factors.

Entrepreneurship Eco-System

The reviewed articles reveal many aspects of the entrepreneurial ecosystem and entrepreneurial development, but there are also some unclear areas, some of which will be discussed in relation to the limitations of the current study. Most importantly, nothing in the review suggests that a healthy entrepreneurial ecosystem can be built from the top down. Entrepreneurship is a self-motivated endeavor that must grow from the bottom up. Entrepreneurship occurs when talented and motivated individuals identify opportunities and barriers to exploiting those opportunities are low. Community intervention can be supportive and indeed necessary to create an environment conducive to entrepreneurship, but direct measures such as government funding are only useful if there are factors that favor entrepreneurship. This chapter briefly discusses five key players, vertical focus as a regional solution, and the importance of product architecture.

1) State policies and procedures

Governments can influence market mechanisms and make them work effectively by removing conditions that create market imperfections and administrative rigidity. Governments usually try to encourage entrepreneurship through direct interventions such as financing, as well as by creating a productive environment for innovation (Kasabow, 2015; Lin, Chang, & Shen, 2010; Nathan & Wendore, 2014). For example, maintaining a strong regional educational ecosystem (eg universities) can be very beneficial, but it may not automatically create a business and entrepreneurship ecosystem (Clarysse, Wright, Bruneel, & Mahajan, 2014). Advanced financial markets support innovation, while rigid product and labor market regulations hinder the region's innovation potential (Barbosa and Faria, 2011). Sometimes, government support and regulatory protection of disruptive innovation can be more effective than direct subsidies and funds for business development (Caerteling, Halman, Song, Dorée, & Van Der Bij, 2013; Pinkse, Bohnsack, & Kolk, 2014).

2) Social and economic conditions

Entrepreneurship cannot develop if most members of society are viewed with skepticism. A positive public attitude towards entrepreneurship and broad support for entrepreneurship are important to encourage people to start new businesses. Television is not a profession. It becomes part of the creator's personal identity and passion. As an entrepreneur, it is one of the motivations to create a future startup company (Farmer, et al., & Kung-McIntyre, 2011). Many positive entrepreneurial personalities, such as energy, self-confidence, ambition, and independence, can be aggressive, narcissistic, cruel, and irresponsible (Miller, 2015). When entering a specific innovation ecosystem, entrepreneurs must consider whether their personality and skills match the requirements of a certain environment (Nambisan and Baron, 2013).

3) Leadership and entrepreneurial skills

Lack of technical and business skills can prevent aspiring entrepreneurs from starting new ventures (Davidsson, 1991; Vesper, 1990). Likewise, if entrepreneurs are not equipped with technical and business skills, they will not be able to overcome the various challenges that arise at different stages of their business growth. Entrepreneurs need a practical, analytical, and creative mind that increases their chances of success along with self-efficacy (Baum and Bird, 2010). A lot of knowledge and intelligence must be mastered by the founders of the company to get through its initial stages, but over time, a lot of new knowledge must be created and acquired in other ways (Friesl, 2012). Relevant new knowledge and learning can, for example, be related to the understanding of strategic choices in an unknown and changing environment (Fernhaber & Patel, 2012; Larrañeta, Zahra, & González, 2012).

4) Financial support for the company

Typically, entrepreneurs seek financing for at least one of three purposes: to diversify or spread startup risk, to raise initial capital, and to finance growth and expansion. Personal wealth plays a role in a founder's ability to take the appropriate level of risk and remain motivated despite challenges. Although the lack of capital allows the founder to take enough personal risk, too much personal wealth of the founder reduces the performance of the venture (Hvide and Møen, 2010). There are four types of financing: independent venture capital, corporate venture capital, angel investment, and government financing.

5) Non-financial support for the company

Students need support services in addition to financial aid. In particular, entrepreneurs need a lot of help in conducting market research, preparing business plans and obtaining loans. Business incubators play an important role by providing various services to budding entrepreneurs. In addition to financial support, teenagers need continuous non-financial support (Gnyawali & Fogel, 1994). One of the non-financial support systems can be a business incubator. Incubators usually provide a positive environment for early-stage businesses by offering rented office space, shared office services, and business consulting at a low cost (Allen & Rahman, 1985). A good incubator has a higher level of safety, a positive impact on business adoption and a structured path to the financial market (Aernoudt, 2004).

Research Approach

The study is currently being conducted in two phases -

In the initial stage, I reviewed existing literature on factors affecting entrepreneurship from various management and economic journals, considering the entrepreneurial environment, to build a literary framework. It really helps to identify the key factors that affect the entrepreneurial ecosystem.

Ultimately, this research is based on the following factors from the literature framework. The researcher chose the state of Gujarat, western India for this study. An example is taken from the Indian state of Gujarat, as it is one of the highly developed states among other states with a well-established entrepreneurial culture. For this reason, student sampling is preferred in entrepreneurship research because subjects with non-entrepreneurial goals can be included in research and subjects before the entrepreneurship process takes place (Krueger et al., 2000). In this case, a sample of 274 postgraduates from various B-schools in Gujarat was surveyed through a questionnaire using a non-probability sampling method.

Based on the research done by Gnyawali & Fogel (1994), it was found that five environmental factors such as government policies and procedures, entrepreneurial skills and business, socioeconomic conditions, financial assistance and non-financial assistance are an ecological ecosystem.

Based on the literature review, five environmental factors have a positive effect on entrepreneurial intention. On this basis, the following hypothesis is proposed: -

The five dimensions of the entrepreneurial environment have optimal relative importance, which are the most beneficial for entrepreneurial intentions.

Based on an in-depth literature review, researcher found that there are all environmental factors that are considered important by various authors in their research, but in most research studies, researcher have determined that socioeconomic status is the most effective factor in developing entrepreneurial intentions. With the effect of this research, a study was conducted in the state of Gujarat where the following results were obtained.

Data Analysis of Comparative Importance of Five Factors

Table 1: Characteristics of the Sample

Demographics	Frequency
Gender	198(Male), 76(Female)
Education Level (Father)	8 (Primary), 10 (SSC), 100 (HSC), 130 (Graduate), 26 (other)
Education level (Mother)	8 (Primary), 14 (SSC), 154 (HSC), 86 (Graduate), 10 (other)
Occupation (Father)	88 (Private sector employee), 34 (Public sector employee), 108 (self-employed), 4 (retired), 4 (unemployed), 36 (other)
Total Yearly Family Income	64 (Rs. 2,00,000-4,00,000), 94 (Rs. 4,00,000-Rs.6,00,000), 62 (Rs.6,00000-8,00,000), 26 (Rs.8,00,000-10,00,000), 10 (Rs. 10,00,000-12,00,000), 18 (Over Rs.12,00,000)

Table 1 displays 198 students (72.26%) were male, while 76 (27.74%) were female. Looking into educational level of the father, highest proportion is found with Graduate (47.44%) and for mother, HSC (56.20%) is the highest in the category. The father's occupation of self-employed (39.42%) was the highest category, while total family income under Rs.8,00,000 was 80.29%.

Table 2: Comparative Important rank of Factors Shaping Entrepreneurial Environments

Factor	Rank	W.A.M
Government policies and procedures	3	3.62
Socioeconomic conditions	1	5.67
Entrepreneurial and business skills	4	2.96
Financial assistance	2	4.89
Non-financial assistance	5	1.84

The comparative importance of attributes is shown in Table 2 in the order from more important to less important; socioeconomic conditions (5.67), financial assistance (4.89), government policies and procedures (3.62), entrepreneurial and business skills (2.96), and non - financial assistance (1.84).

Table 3: Gender wise Comparative importance score of environmental factors

Factor	Male (N=198)	Female (N=76)
Government policies and procedures	21.431%	24.410%
Socioeconomic conditions	25.531%	25.855%
Entrepreneurial and business skills	15.766%	14.588%
Financial assistance	23.668%	23.929%
Non-financial assistance	13.604%	11.218%

Both male and female students weighed most on socioeconomic conditions. While government policies and procedures are the second important factors for male students, financial assistance is considered as the second for female students.

Table 4: Father's Occupation Wise Comparative importance score of environmental factors

Factor	Employed father (N=122)	Self-employed father (N=106)
Government policies and procedures	18.455%	27.569%
Socioeconomic conditions	21.902%	27.026%
Entrepreneurial and business skills	18.098%	12.987%
Financial assistance	26.895%	20.448%
Non-financial assistance	14.651%	11.970%

Table 4 represents the comparative importance of entrepreneurial environments between students with employed father and students with self-employed father. Financial assistance is the most important factor for students with employed father. However, students with self-employed father put an importance on government policies and procedures slightly more than on socioeconomic conditions.

Findings & Conclusion

All environmental factors showed a significant effect on increasing entrepreneurial intention. Somewhat surprisingly, socio-economic conditions are the most favorable factor in promoting entrepreneurial intentions rather than financial assistance. Perhaps this is because Gujaratis mainly focus on group culture.

The relative importance of the attributes is shown in Table 3 in order from least important to most important; socioeconomic conditions (5.67), financial assistance (4.89), government policies and procedures (3.62), entrepreneurial skills and business (2.96) and non-financial assistance (1.84).

Based on the literature framework and initial research, it is clear that all factors are important for entrepreneurial intention. However, socioeconomic conditions play an important role. In this study, the researcher selected students with entrepreneurial intentions, which is the strongest factor in the development of entrepreneurial intentions, even in countries with the same socioeconomic conditions.

It remains to be seen how quickly policymakers across the country can address the need to support student entrepreneurship, and how well such policies are implemented. It goes without saying that the country's startup ecosystem is developing rapidly, with a strong ecosystem in urban centers, and the scenario for startups in India, led by a receptive and responsible government, is clear.

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