The Indian Environment for Entrepreneurship and Small Business Development

By: Nir Kshetri


© Studia Universitatis Babeş-Bolyai. Published under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.

***Note: This version of the document is not the copy of record.

Abstract:

India is touted as a new entrepreneurship powerhouse and the next Asian miracle. There have been some successful and many unsuccessful attempts to promote entrepreneurship and small business development in India. There are also some well-founded rationales as well as a number of misinformed and ill guided viewpoints about the friendliness of environment to support entrepreneurship and small business growth in the country. This paper examines various indicators related to entrepreneurship in India and analyzes factors affecting India’s entrepreneurial performance. Specifically, we provide a detailed assessment of the Indian environment for entrepreneurship in terms of various dimensions provided by the Organization for Economic Co-operation and Development (OECD framework. The dimensions include regulatory framework, market conditions, access to finance, R&D and technology related factors, physical infrastructures, entrepreneurial capabilities and entrepreneurial culture. We provide a detail treatment of various forms of financing from the standpoint of small business development such as bank loans, IPO market, venture capital, microfinance, remittances inflow, domestic savings and informal investments.

We also compare India with its neighboring country, China and major global economies in terms of many of these dimensions. Also examined in the paper is the effect of the recent global financial crisis on India’s performance in supporting entrepreneurship and small business development. Analyzed in the paper is also how the lack of trickledown effect and an emergence of oligarchic capitalism are affecting entrepreneurship and small business development.

Keywords: Entrepreneurship | oligarchic capitalism | microfinance | remittances | global financial crisis

Article:

***Note: Full text of article below
Introduction

Because of its improving entrepreneurial performance, some analysts consider India as the next Asian miracle. It is argued that India is “shifting away from a legacy of state-dominated commerce toward a market-oriented system” (Stewart et al., 2008, p. 85). The country has set an “explicit policy objective to become a leading business-friendly economy” (World Bank, 2008a). In a number of important areas, institutional reform has gained a higher momentum in India than in China. India also outperforms China in many of the World Bank’s governance indicators (Figure 1). Huang (2008) notes that India is “shedding [its] harmful legacy” and Indian politics has become “more open and accountable”.

Despite this progress, however, red tape, bureaucracy and corruptions in the country, both at the national and state levels, lead to longer time, higher costs, and reduced speed and flexibility for entrepreneurs (Majumdar, 2004; The International Economy, 2006). While some influential entrepreneurs are in a position to take advantage of institutional holes, SMEs tend to be more adversely affected by the dysfunctional institutions. Chi Lo, the author of Phantom of the China Economic Threat, however, commented: “The biggest obstacle to India outperforming China is reform inertia” (The International Economy, 2006). Observers often note the most Indian multinational companies are in a primitive or an embryonic stage (Kumar et al., 2009).

In light of the above observations, this study has two objectives. First, we seek to provide an overview of the current status of the entrepreneurship landscape in India. Second, we analyze various determinants of entrepreneurial performance in India. The approach of this paper can be described as integrative, conceptual, and theory building rather than purely empirical one.

The paper is structured as follows. We proceed by first providing a survey of the current status of entrepreneurship in India. Then, we provide a review of some determinants of entrepreneurial performance in India. The final section provides concluding comments.

A survey of the current status of entrepreneurship in India

We begin this section by considering India’s economic reform initiatives. India started relaxing industrial regulation in the early 1970s. Trade liberalization began in the late 1970s and the pace of reform picked up significantly in the mid-1980s (Panagariya, 2005). Indian entrepreneurship, however, got a big boost following the 1991 economic liberalization, which transformed India’s entrepreneurial landscape.

Many large and inefficient firms did not survive the competition created by the 1991 liberalization. Of the largest 20 private firms listed on the Indian stock market in 1990, for instance, only five were in the top 20 list in 2011 (Foulis, 2011).

In 2009, 47 Indian companies were included in Forbes’ Global 2000 list of the world's biggest companies (DeCarlo, 2009). The country has also achieved positive societal changes. For instance, Indian divisions of some leading financial institutions such as HSBC, JPMorgan Chase, Royal Bank of Scotland, UBS and Fidelity International were headed by women. Women also accounted for about half of the deputy governors at the Reserve Bank of India.
Entrepreneurship in the Indian IT and offshoring sector

The story of India’s entrepreneurial performance is incomplete without a reference to its offshoring sector. India has been a global capital of the offshore information technology (IT) and business process (BP) offshore outsourcing (Kshetri 2007; Kshetri and Dholakia, 2009). India’s offshoring industry started from back office works, which moved to business process and is gradually shifting towards high-end functions such as R&D (Kshetri, 2011a; Kshetri and Dholakia 2011a, Wadhwa, 2009). To illustrate this point one may think of the drug industry. Many U.S.-based drug companies are outsourcing drug development processes to India. One estimate suggested that developing a drug in India was about US$100 million compared with over US$1 billion in the U.S. (worldbank.org, 2009). Another study found that pharmaceutical plants in India have 40% cost advantage over those with identical machinery and capability in Europe (Pharmaceutical Executive, 2011). In BioPlan Associates’ 8th Annual Report and Survey of Biopharmaceutical Manufacturing Capacity and Production, 13.2% of the respondents identified India as the country as a potential biomanufacturing outsourcing destination (Langer, 2011). Indian ranked second only after China in the survey.

Direct employment created by this industry was estimated at 1.6 million in 2007 (Ribeiro, 2007) and 2.2 million in 2009. The offshoring industry’s indirect job creation was estimated to be 8 million in 2009 (NASSCOM, 2009). This sector accounted for 1.2% of national GDP in fiscal year (FY) 1998, which increased to 5.8% in FY2009 (NASSCOM, 2009).
India's business and technology services companies' revenues increased from US$4 billion in 1998 to US$58 billion in 2008 (Kaka, 2009), which further increased to US$60 billion in FY2009 (NASSCOM, 2009). According to NASSCOM, the export portion of the sector (that is, offshore BP and IT offshoring industry) in FY 2011 grew by 18.7% to reach $59 billion, which was 26% of India's exports and 11% of services revenue (The Hindu Business Line, 2011).

India’s entrepreneurial IT firms heavily depend on exports. The industry exports US$3.75 for every dollar earned in India. For the leading IT company, Infosys, the domestic market accounts for only 1.2% of revenue (Economist, 2009a). This sector’s contribution to Indian exports increased from less than 4% in 1998 to about 16% in 2008 (NASSCOM, 2009a).

In addition to economic impacts, entrepreneurial activities in the offshoring sector have brought some positive societal changes. Institutions related to entrepreneurship are changing. For instance, women have entered into new status hierarchies (Adya and Kaiser, 2005). The mixed gender workforce in the offshoring industry requires working at nights to meet daylight needs of Westerners (Russell, 2008). In the offshoring industry, women account for 65% of the workforce and 85% of them work on night shifts. Call centers are breaking the societal taboos as men and women work together in nights. In the Rajasthan state, the law forbidding women to work after sunset was changed at the request of the outsourcing company, Genpact (Wadhwa, 2009).

**Low overall entrepreneurial performance**

Despite all the hype surrounding entrepreneurship in India’s IT and offshoring sector, more detailed figures paint a different picture. The country falls behind many other developing economies on important indicators related to entrepreneurial activities. For instance, in terms of high-expectation business launchers per capita, India underperforms Brazil (Lewis, 2007). On the World Economic Forum’s competitiveness index, India ranked 49th in 2009.

The size of the informal economy in India is substantial and increasing. Size of the informal and shadow economy a proportion of official GDP was estimated to increase from 18.1% in 1988/89 to 20.3% in 1994/95 and to 22.8% in 2000/01 (Bajada and Schneider, 2005). Likewise, about 70% of nonagricultural workforce is informally employed (UNDP, 2004). If agricultural employment is included, this proportion rises to over 90% Informality thus remains a pervasive characteristic of the Indian labor markets.

Consider another indicator related impacts of entrepreneurship—poverty reduction (Ahmad and Hoffmann, 2008). During 2000–2007, 41.6% of the population in the country lived on less than US$1.25 a day and 75.6% lived on less than US$2 a day (UNDP, 2009). The traditional sector is economically disadvantaged and there is thus very little progress in poverty reduction. MacDonald (2006) notes that while the offshoring sector is “bold”, “exciting” and “vibrant”, the rest of the economy is “backward looking, corrupted and poverty stricken”.

**Lack of trickledown effect and signs of oligarchic capitalism**

The benefits of economic growth are highly concentrated and disproportionately distributed to the wealthiest and have failed to trickle down to the poor. About 10 families control more than
80% of the stock in the country’s largest corporations (Malhotra, 2009). According to the ADB, large Indian companies have won most of lucrative government contracts, hold power over the country's natural resources and have “privileged access to land”. Likewise, in a 2007 government survey of about 200,000 services firms in the formal and informal sectors, the top 0.2% accounted for about 40% of output.

The geographic concentration of entrepreneurial activities also deserves mention. The 2007 government survey also found that companies in two states – Maharashtra and Karnataka – accounted for about 50% of output (Foulis, 2011).

India obviously has some elements of a market economy and political democracy. The country, however, lacks a true democratic market system. A report from the ADB suggested that Indian economy has many characteristics of oligarchic capitalism and there is a possibility that this form of capitalism would further consolidate in the country, which can slow long-term development of the country (cf. Malhotra, 2009). Note that in an oligarchic capitalist society, a small group of people maintains a grip over the country's economy, polity, and society (EMF, 2009). Research has indicated that the 1991 reforms have had little or no effect in promoting SMEs. A small number of well-connected industrialists have dominated the Indian economy and protected themselves from outside competition (Weitzman and Fontanella-Khan, 2011).

As it happens in oligarchic capitalism, India has shown signs of adverse impact on incentives required for structural changes as well as the state’s reduced autonomy (EMF, 2009). Petras (2008) notes that most Indian billionaires built their wealth by “using economic power to secure neo-liberal policies” (p. 323). He goes on saying: “While many Indian publicists and economists hail the "Indian miracle" and classify India as an "emerging world power" because of the high growth rates of the past five years, what really has transpired is the conversion of India into a billionaire's paradise” (p. 323).

**Indian environment for entrepreneurship and small business development: Some determinants**

Contexts and environment play important roles in determining entrepreneurial behavior (FORA, 2006; Tan, 2002). In this section, we examine the determinants of entrepreneurial performance in terms of factors identified by Ahmad and Hoffmann (2008): regulatory framework, access to capital, access to R&D and technology, capabilities, market conditions, and culture.

**Regulatory framework**

Entrepreneurial firms are likely to thrive and act in socially responsible ways if there are strong and well-enforced legislation and regulations in place to ensure such behavior. In this regard, notwithstanding the existence of some essential elements of a democracy, the Indian political system and institutions are characterized by poor governance and have become inherently unaccountable and corrupt (Kshetri and Dholakia, 2011b).

Beyond all that, in India, there are groups with disposition to support traditional values, norms, and institutions, which hamper entrepreneurial practices. Notwithstanding their supports to
modern values, the Indian government and court system are forced to settle for compromise, which means a slower progress than they would like to see.

Indian court systems are overburdened and are characterized by procedural delays, and red tape. The Bureau of Democracy, Human Rights and Labor's report, 'Supporting Human Rights and Democracy: The U.S. Record 2004-2005 noted: "poor enforcement of laws, especially at the local level, and the severely overburdened court system weaken the delivery of justice."

According to the South Asia Human Rights Documentation Center, there was a backlog of 23.5 million cases in 2002. The court system is decentralized and is largely administered by states. National labor laws are administered at the state level (Deloitte, 2006). Due to budget problems, the states have failed to comply with federal directives to upgrade legal infrastructures and court facilities.

Moving to the specific context of entrepreneurship, weak laws and inappropriate regulatory processes hinder efficient entrepreneurial behaviors. For instance, it is argued that corruption is likely to make the Israel model of government funding for startups highly ineffective in India. The Israeli government provides a highly supportive role to facilitate entrepreneurship. For instance, it is reported that 80% of the first $500,000 for every idea identified is funded by the government (Shah, 2010). It is speculated that such a model “will lead to favoritism, cronyism and corruption” in the country.

As an example of inappropriate regulatory elements, it takes 7 years to close a business in India compared to the OECD average of 1.7 years. Likewise, the average time to register property in South Asia is 106 days compared to the OECD average of 25 days (The World Bank Group, 2009). Moreover, companies with over 100 employees require government permission to dismiss workers (Deloitte, 2006).

Entrepreneurial and marketing activities are hindered by complex regulations. In the retail sector, for instance, there are barriers such as anti-hoarding laws and signboard licenses. Competition laws have not yet been introduced in some sectors of the Indian economy. For instance, in the Indian retail sector, the existing laws work against retailers and favor small mom and pop stores (Economist, 2008d).

**Market conditions**

As noted above, access to the domestic and foreign markets influences entrepreneurial performance. In this regard, the big domestic market size has helped some Indian entrepreneurial firms to compete successfully in foreign markets. It is argued that Indian firms’ capability to deliver value for money in the domestic market has been an important source of competitive advantage to operate in the African market (Kumar, 2008). Indian companies are in a position to reconfigure their resources and adapt the business models used in the domestic market to operate in other developing economies (Harvard Business Review, 2009).

That being said, it is also the case that various regulations hinder the access to domestic market in India. For instance, there are taxes for bringing goods into a state, for taking them out of a state as well as for moving them within a state (Economist, 2008d).
Access to finance

Access to finance has been a major barrier facing many potential entrepreneurs in India. Gandhi (2010) notes: “A bank loan or angel investment is not impossible to get but extremely unlikely. Getting funding is even harder if, like most aspiring entrepreneurs, you are not from a top-tier university and don’t have a family with deep-pockets. There are countless ‘micro-entrepreneurs’ in Indian society who finance their own small businesses as a means to survival but don’t have access to the capital necessary to grow them”.

Below we describe the situation in regarding the common forms of entrepreneurial financing.

Bank loans

India's state banks, which account for 70% of bank assets in the country, are a major source of financing for entrepreneurial firms (Economist, 2009a). State Bank of India (SBI) is the country's largest lender. According to the July 2009 issue of The Banker, a Financial Times publication, SBI is the world’s 64th largest bank (76th by asset). As of March 2009, SBI had 12,100 offices worldwide, over 150 million customers, a capital reserve of more than US$ 12 billion and a total business of US$ 273.6 billion (including deposits and advances) (Ramavarman, 2009).

That said, SBI is about one-tenth of the size of China’s biggest bank in terms of profits (Foulis, 2011). The state banks have done little to promote productive entrepreneurship in India. A complaint often heard is that business merits play a little role in loan disbursements (Bikchandani, 2010). Lending is disproportionately oriented toward powerful economic and political interests such as family-owned groups. This situation was more readily apparent in the pre-1991 India (Kshetri, 2011b).

The Indian IPO and capital markets

In 2007, India ranked the world’s ninth largest IPO market. India captured 3% of the global IPO market share in 2007 compared to 1.3% in 2006 (businessstandard.com, 2007). By the end of 2007, the total wealth of all companies listed on the Bombay Stock Exchange, measured in terms of cumulative market capitalization, was over US$1.7 trillion (EconomicTimes.com, 2007). India accounts for 3% of the world’s stock market value (Foulis, 2011). In recent years, poor returns have made IPO relatively unattractive for many Indian companies. One study indicated that stocks of 70% of companies that launched IPOs in 2010 were trading below their price in June 2011 (Kohli, 2011).

Institutional investors such as pension funds and life insurance companies which pool huge large sums of money and invest those in securities, property and other assets account for about one-eighth of Indian stock market profits compared to over half in Western economies. State-backed firms are estimated to account 40% of stock market profits (economist.com, 2011). Likewise, in 2011, the Bombay Stock Exchange (BSE) 100 index of the largest firms accounted for about 70% of Indian stock market value (Foulis, 2011).
VC (venture capital) investments

In recent years, India has become increasingly attractive destination for VC investments. In a survey conducted by Deloitte in 2009, 12% U.S.-based VC investors considered India as the most attractive market. The country ranked only behind China (42%) and the U.S. (24%) (Deloitte, 2009). By 2008, US$8.5 billion in VC was invested in Indian startup companies, which compares with China’s US$9.3 billion by that time (Fannin, 2010).

Indian VC industry is at a nascent stage of development. For one thing, VC culture is not well developed in India. Observers have noted that Indian entrepreneurs often fail to understand the reality that not all VC-funded companies are likely to achieve an IPO. While there is a greater likelihood of a VC-funded company exiting through an M&A than an IPO in the U.S., Indian entrepreneurs are less prepared for a M&A option (Tagare, 2011).

The microfinance industry

The flourishing microfinance industry is perhaps the most notable feature of the Indian capital market. By the early 2007, 50 million households had benefitted from microfinance (pr-inside.com, 2010a). By the end of 2009, SKS Microfinance, India’s largest MFI, had 1,675 branches, which lent US$ 600 million to seven million customers. Private-equity firms and other investors have invested billions of dollars in micro-financing, which grew by 72% annually during 2008-2009. In 2008-09, loans issued by MFIs in India increased from US$1.2 billion to US$2.3 billion (Kalesh, 2010).

At the same time, some negative experiences related to microcredit have been reported. As of the early 2010, over 15 million borrowers in India owed microfinance debts of US$2.3 billion. The average Indian household’s debt to microfinance banks increased fivefold during 2005-2010 (Shah, 2010b). It was also reported that some borrowers used loans intended for business purposes to buy luxury items such as TVs and fridges.

Remittances inflow and entrepreneurship

India receives more remittances than any other country. Remittances have led to the establishment of new businesses and social service organizations such as nursing homes and educational institutions. In January 2010, the Chief Minister of the Gujarat state of India noted that the state’s economy was growing despite the global financial crisis due to “record-breaking investments made by the Indian diasporas” (mangalorean.com, 2010).

Domestic savings and informal investments

Finally, domestic savings have also been an important source of investment. The household saving rates are showing increasing trends, which 34.7% of GDP in 2010 (Power, 2010). As is the case of China and other Asian economies, the high savings rates in India can be attributed to income insecurity associated with mostly informal jobs. The high saving rates thus may not automatically translate to a higher investment rates.
R&D and technology related factors

India’s ICT adoption and usage rates have been relatively lower compared to most countries. For instance, India’s subscription rates of cellular and fixed phones, PC, the Internet and high speed broadband are well below China (Figure 2). According to a study released by Google India in the mid-2011, only 2 million out of 35 million SMEs were online (Narasimhan, 2011).

Nonetheless, there have been some highly visible instances of ICT usage in promoting entrepreneurial activities. As a high profile example, in October 2010, Intel announced an agreement with an alliance of 70 companies including Bombay Stock Exchange (BSE) and CtrlS to develop hardware and software for an open and inter-operable cloud (Kshetri, 2010). The Open Data Center Alliance (ODCA) works to address security, energy efficiency and interoperability. The BSE expects that the new trading platforms supported by mobile telephony and clouds would broaden participation by allowing real-time and seamless access to data across phones, laptops and other devices. This approach would also deepen and widen asset classes traded. The new platforms will increase participation of younger Indians in pension funds, insurance and mutual funds and others. Especially the popularity of mobile-based cloud applications is promising. Only 80 million Indians were online in early 2011, but more than 670 million used cellphones.

India’s overall innovation and R&D profile is weak. As indicated in Figure 3, India lags behind industrialized countries and its neighbor China in terms of various indicators related to R&D and innovations. Due to India’s poor R&D and innovation performance, some liken entrepreneurial activities in the Indian IT and offshoring industry to a “hollow ring”. An Economist article notes: “India makes drugs, but copies almost all of the compounds; it writes software, but rarely owns the result. …[it has] flourished, but mostly on the back of other countries' technology" (Economist, 2007a).

Physical infrastructures

A lack of well-developed physical infrastructures has been a barrier hindering entrepreneurship. Most roads are narrow. In 2007, there were only 1,500 trucks and one-third of produces were reported to be rotted before reaching customers (Hamm and Lakshman, 2007). The global financial crisis further hindered India’s infrastructure development. In the late 2008, reports indicated that about half of India's planned highway-improvement projects, which were valued at over US$6 billion, could be delayed by two years.

According to the Planning Commission, inefficient power supply has hindered entrepreneurial activities, employment creation and poverty reduction (UNDP, 2008). As of 2008, half of India’s population or about 500 million people, lacked access to electricity (UNDP 2008).

Entrepreneurial capabilities

There have been some measures to develop entrepreneurial capabilities. India has around 40 incubators mentoring between four and 20 start-ups each (Chaudhary, 2010). That said, human
development in the country has been slow. For instance, in 2009, India ranked 134th in the human development index. Adult literacy rates during 1999–2007 were 54.5% for females and 76.9% for males.

![Fig. 2. Comparing India's ICT usage indicators with China (2008)](image)

![Fig. 3. R&D and innovations profiles: Comparing India with some major economies](image)

Source: UNDP (2008)
Although English is an official language in India, only a small proportion of graduates meet the standard required to interact with foreigners (Fairell et al., 2005). This goes contrary to the widely held belief that India's huge English-speaking population will give it an edge over China and other rising nations in doing business with Western corporations (Mehta, 2005). Customers’ complaints regarding difficulties to understand the operators forced some companies to relocate call centers from India to the Philippines (Fairell et al., 2005).

While India has some professionally run companies such as Wipro, Infosys and TCS, the country’s management is highly traditional. To attract outsourcing and other jobs, firms are required to be “process-driven and detail-oriented”—characteristics that are virtually absent in the Indian work culture (Piramal, 2004). In the same vein, whereas Western countries have the time-is-money culture, Indians have more flexible approach to deadlines (Slater, 2003). Experts argue that the country needs to go far before a culture of modern and professional management emerges (Bellman, 2005). Similarly, product quality, reliability and on-time delivery often vary greatly in the country (Murphy, 2004). Addressing this challenge may be no small feat.

That said, some Indian firms have made some progress in adopting the culture of modern management. This is especially noticeable in the offshoring sector. In an attempt to address their clients’ fear that customer data will be stolen and even sold to criminals (Lucas, 2004) firms have enhanced security mechanisms. For instance, call center employees have to undergo security checks that are considered to be “undignified” (Economist, 2005b). Firms have established biometric authentication controls for workers and banned cell phones, pens, paper and Internet/e-mail access for employees (Fest, 2005). Similarly, computer terminals at Mphasis lack hard drives, email, CD-ROM drives, or other ways to store, copy, or forward data. In general, Indian outsourcing firms extensively monitor and analyze employee logs (Fest, 2005).

**Entrepreneurial culture**

Societal norms that “permit variability in the choice of paths of life” are likely to promote entrepreneurial behavior (Hoselitz 1960, p.155). A society’s religions strongly dictate such a possibility. According to the 2001 census, Hinduism accounted for 80.5% of the Indian population. Islam is the second largest religion, practiced by 13.4% of the population. Hinduism and Islam have many similarities from the standpoint of entrepreneurship. Both promote fatalism and orientation towards the present or the past than the future (Berdyaev, 1990; Buss, 2003).

The distinguishing mark of Hinduism, the most popular religion in India, is that it is centered around dharma (duty) and karma (a Sanskrit word that means “actions” or “deeds”). Furthermore, each individual’s dharma and moral codes are specific to his/her caste of birth, which often lead to conflicting, confusing, misleading and often contradictory social and ethical values (Elliot 1998). More importantly, many beliefs and values run counter to capitalism and entrepreneurship (Dana, 2000).

Accepting one's destiny rather than trying to control life can be viewed as a central core of traditional cultural values in India. Reincarnation is an essential tenet of Hinduism, which maintains that if nothing wrong is done in this life, there would a prospect for a better life next time (Elliot, 1998).
A distinguishing feature of Hinduism is its social structure based on the caste system, which have acted as a major barrier to entrepreneurship in India (Dana, 2000; Sharma, 2003). The studies of many researchers over the past few decades have indicated that various obligations associated with the Indian caste system make it more compelling and convenient to follow the family occupation instead of launching a new venture. The caste system has thus hindered class mobility. Unsurprisingly the Vaishya (the caste of merchants) and non-Hindu communities (e.g., Jains and Parsis) historically dominated Indian businesses community.

Entrepreneurship thrives in a society that places a high value on work and innovation. It is argued that work is not valued in itself in India. Observers also suggest that people in the country work primarily because of emotional attachment with the workplace or as a favor to the supervisor or to the employer.

Indian culture also places relatively less value on innovation and gradual improvements. For example, a belief among many people in India is that for the inner soul and mind, being passive and satisfied with the status quo is healthier than trying to improve the situation (Dana, 2000). Moreover, Hinduism considers work as the performance of duty instead of an ambition to innovate or improve (Elliot 1998).

Women entrepreneurs in India face additional obstacles (Bertaux and Elaine, 2009). Some communities in the country think that a respectable girl should not expose herself to outside influences. In traditional sectors, it is a taboo and probably hard to imagine for young women to work during nights. During 1993- 2001, 53% of adult Chinese worked compared to 37.7% of Indians (Deloitte, 2006). This difference was largely due to the lower female participation in India. Traditionally, women were not allowed to work after sunset.

It is also argued that Hinduism has promoted corruption and hindered the country’s anti-corruption efforts. First, it is suggested that Hinduism has a forgiving tendency and Hindus are too lenient toward offenders. These characteristics of Hinduism have worked as a roadblock to India’s anti-corruption measures. Second, fatalistic orientation of Hindus is associated with the belief that the status quo cannot be changed, which hinders fight against corruptions.

One final, but not less important, aspect of Indian culture that renders it interesting to us is the fact that Indian society has a negative attitude toward entrepreneurship in general and especially failure as an entrepreneur. Gandhi (2010) notes: “And don’t even think about what will happen if you fail as an entrepreneur. Socially, you will have lost your eligibility for marriage until you get a job. Financially, you’ll be saddled with loads of debt, and politically, good luck on somebody acknowledging your entrepreneurial endeavor as real work experience. With all these challenges, one wonders why anyone bothers trying to become an entrepreneur in India?”.

Concluding comments

The 1991 economic reform has undoubtedly facilitated and stimulated entrepreneurship in India. The impact on the broad economy is, however, barely noticeable. While billionaires, oligarchs and state-owned companies are benefiting from privileges, the playing field is not level for
SMEs and new venture start-ups, which face a host of barriers. Inappropriate regulatory elements and legal bottlenecks have severely hampered productive entrepreneurial activities. In sum, we cannot really take the existence of a few entrepreneurial firms in the Indian IT sector as proof positive that India provides a conducive environment for entrepreneurship. In fact, it is possible to draw the opposite conclusion on the basis of the fact that very little entrepreneurial impact is felt by the mass of the population. Moreover, many Indian entrepreneurs still struggle with a culture that looks down on capitalism and is indifferent to hard work, improvement and innovations.

To some extent, the structural inertia of the Indian economy has acted as a barrier to foster modern entrepreneurship. India’s heavy reliance on agriculture, for instance, has resulted in constraints in resources for entrepreneurial development. For instance, industry and agriculture compete in the allocation of water between states, which has created inter-state rivalries and tensions (UNDP, 2008).

References


Bellman, E. 2005. Truce may be near in reliance family feud; Indian corporate bellwether could be broken up in any pact between Ambani Brothers. Wall Street Journal June 17, A.12.


Businessstandard.com 2007. India ranks 9th in global IPOs, November 02, 2007


Deloitte. 2006. China and India: The Reality Beyond the Hype, Deloitte Development LLC.


Economist. 2007a. Imitate or die; Technology in China and India. 385(8554), 9.


Economist. 2009a. Reforming through the tough times, September 12, p. 71.

Economist. 2009a. Reforming through the tough times, September 12, p. 71.

Economist. 2009b. Lands of opportunity, March 14, special section pp. 16-17.


Fest, G. 2005. Offshoring: Feds take fresh look at India BPOs; Major theft has raised more than a few eyebrows. Bank Technology News 18(9), 1.


Pharmaceutical Executive, 2011. India: Good Endings, Good Beginnings!, 31(9), S2-S17.


The Economic Times, ‘Intel, partners enter into alliance for cloud computing’


The International Economy. 2006. Will India steal China's thunder? 20(2), 8-21
The proportion is also over 90% in many sub-Saharan African countries. Estimates for most developed countries are around 15%.


