

Review

Changing face of entrepreneurship in India through innovation

Yograj Singh*, Charu Agarwal and Ankur Bhatnagar

Shriram Institute of Management and Technology (PG), Kashipur, Uttarakhand, India.

Accepted 25 May, 2011

Entrepreneurship is the risk taking by innovators called entrepreneurs in an economy. Typically, entrepreneurship involves the creation of new products, new ways to produce products, or new businesses. Innovation is the intrinsic characteristic of every developed nation. Innovation fuels a nation's growth, and a highly innovative country has the potential to reach pinnacle of prosperity. The actions of entrepreneurs are so valuable to the operation of a dynamic, changing economy that some economists consider entrepreneurship to be a fourth factor of production joining natural, human, and capital resources. This paper focuses on the importance of innovation in entrepreneurship development as it is only innovation, which made the products and services better from the others. This paper clearly depicts the current role of innovation in entrepreneurship development. It also highlights how these innovations can lead to economic growth of our country.

Key words: Entrepreneurship in India, growth of Indian economy, innovation in business.

INTRODUCTION

To quote the economist, T. N. Srinivasan, 'Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where Entrepreneurship comes in.

"Innovation is the specific instrument of entrepreneurship...the act that endows resources with a new capacity to create wealth" – (Drucker, 1985)
innovation

An entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Invention means generation of new ideas whereas innovation means bringing that idea into life. Entrepreneurs are those persons who take the risk to bring those ideas into life. The success of a business enterprise depends upon its novelty or the unique thing,

be it a product or any feature, which it offers to its customers (Sharma and Chrisman, 1999). The vitality of entrepreneurship and innovation can be highlighted by the fact that they form the backbone of a majority of the economic s growth in a given country. Thus, if USA is the largest economy, it can be attributed to the commitment towards research and innovation.

In research work, an attempt has taken to explore all important factors in relation of entrepreneurship and innovation. In India, how education system is playing a significant role in promotion of entrepreneurship is a very challenging issue. Data collected from the National Knowledge Commission defines how several numbers of entrepreneurs are increasing over a period of time with innovative business plans.

The Objective of the study is to understand the role of innovation in entrepreneurship development in India, and also try to understand the Government support for innovative knowledge enterprises. Furthermore, it tries to examine the role of education studies in generation of innovative ideas. The main objective will be to suggest certain measures; this can be adopted to take the advantage of innovation.

India has tremendous potential in the field. India offers

*Corresponding author. E-mail: dryograjs@yahoo.co.in Tel: +91-05947-211498 or +91-9319844076.

a unique incubation environment for most 'entrepreneurs', greatly distinguishing it from other western democracies. A country where almost 50% of the Indian population is below 35 years old, it is apparent that India has a large working class, which is a great potential and assets for a nation (Chandra, 2009). In addition, young technocrats are also looking out for opportunities to exploit their full potential by setting up their own ventures thus becoming "job generators" rather than "job seekers". They are generating job opportunities for the unemployed people.

In spite of being a developing nation with a population of over billion people, we fail to produce the entrepreneurs, such as Narayana Murthy, Dhirubhai Ambani, Lakshmi Mittal, Kiran Shaw in large numbers, which is required for large nation. This is deep rooted problem and involves a minutiae analysis of our complex mindset (Menon and Ramsay, 2008).

RELEVENCE OF THE STUDY

Given the increasing significance and visible impact of Entrepreneurship in wealth-creation and employment-generation, we consider it critical to India's growth and development. This study has been undertaken to explore factors that have advanced Entrepreneurship in India and also several other factors that could further encourage and facilitate even greater growth through innovation.

THE ROLE OF EDUCATION STUDIES IN GENERATION OF INNOVATIVE IDEAS

As discussed previously, the key generators of wealth from knowledge depends upon the availability of the skilled human resource. These skills and competencies can be generated in an individual through good education system. There is a fact that passion and curiosity form the very base of innovation. An entrepreneur should have good perception of an idea, credible business plan, and clarity of what he wants to do to become successful. This knowledge and idea about the business can only be built through sound education system.

The purpose is to fill the gap in preparing today's youth with a CEO mindset, supported with skills to deal with changing critical needs of the knowledge era that is revolutionizing the global economy. Generating a critical mass of entrepreneurs oriented to high levels of growth depends on the quality of education provided and the presence of an environment that encourages innovation (Maqbool, 2006).

The highly rigid educational system should be more flexible one, so that students can choose their own subjects of interests and thus design their own curriculum. This will result in a greater level of interest, which indirectly would result in a greater level of interest

with more curiosity and passion. The schools across America follow this flexible system, which has proved to a blessing in disguise and is now an intangible asset (Drucker, 2007).

To encourage entrepreneurship, the academic institutions must encourage student's initiatives, organizations and unions. Business plans competitions should be organized on more frequent basis and proper guidance and assistance to prospective entrepreneurs on various aspects, such as preparing reports, obtaining project approvals, loans and facilities from agencies of support system, information on technologies, etc (Devarajan and Ramnarayan, 2003). History had recorded many school and college leaders blossom into business pioneers. Be it N Hira Nandani, Lakshmi Mittal or Arun Jaitley, they were all leaders at their schools, colleges at some point in time. Recently, some young students from R.A Poddar School start their very own cookie company under the guidance of the school authorities. These facts point out to the need of developing leadership qualities at an early stage in life.

GOVERNMENT ROLE REGARDING INNOVATION

The government has to be investor and entrepreneur friendly, in order to exploit the true potential. The government on its part should give a plethora of incentives to new risk takers in order to make theirs rather than risky decision that is somewhat easier. These incentives could include tax benefits, land allocations, water and electricity supply etc. Novice risk takers should be provided with trouble shooters and mentors on behalf of the government, so as to choose the correct path and strategy. Banks and other financial institutions should also provide adequate credit to new ventures, so as to stimulate the business through good liquidity. Besides helping to establish companies, government should also regulate these companies in order to ensure that they abide by the highest standards of business ethics (Goswami and Dalmia, 2008).

ROLE OF INNOVATION IN ENTREPRENEURSHIP DEVELOPMENT IN INDIA:

Entrepreneurship is to take the initiative to start a new business venture with an innovative idea or to make certain amendments in the existing product according to the opportunities available to the entrepreneurs. To take repeated action to overcome obstacle that may prevent them from reaching their goals. Entrepreneurs takes action on their own to get information that will help them to achieve their objectives or clarify problems and to successfully persuades others to buy a product or service, also to convinces' someone to provide finance,

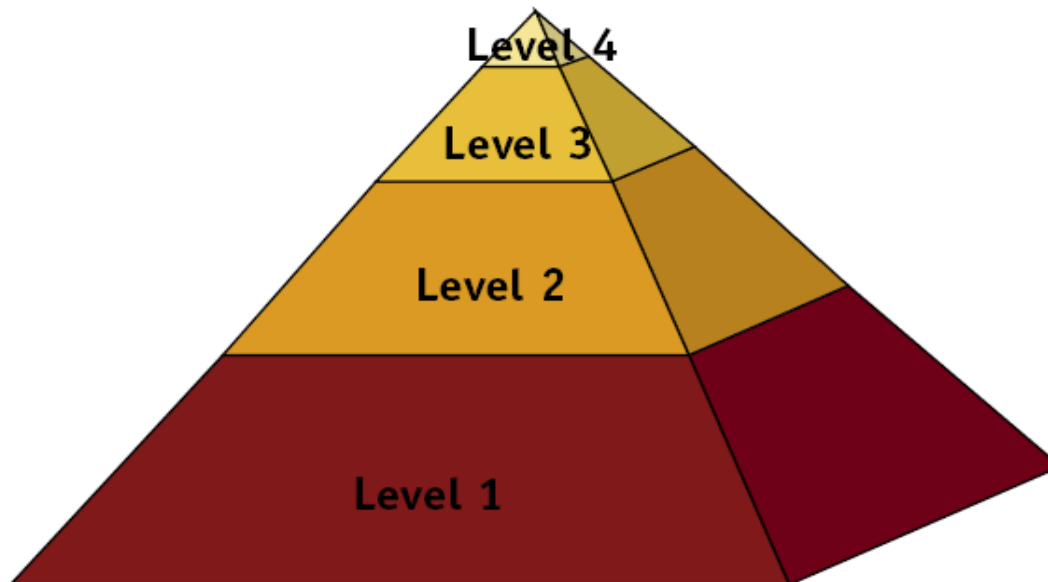


Figure 1. Entrepreneurship pyramid. Source: Knowledge Commission, India

and finally, to monitor continuous change for further innovation.

The Entrepreneurship 'Pyramid' in India (in terms of sectors and numbers of people engaged) is made up of the following:

Level 1: Agriculture and other activities: Crop production, Plantation, Forestry, Livestock, Fishing, Mining and Quarrying.

Level 2: Trading services: Wholesale and retail trade; Hotels and restaurants.

Level 3: Old economy or traditional sectors: Manufacturing, Electricity, Gas and Water supply

Level 4: Emerging sectors (including knowledge intensive sectors): IT, Finance, Insurance and Business services, Construction, Community, Social and Personal Services, Supply Chain, and Transport- Storage-Communications etc. Figure 1.

Levels 2 and 3 (Trading and Manufacturing) of the aforementioned pyramid comprise of traditional areas of Entrepreneurship. Level 4, on the other hand, is an emerging/modern sector of Entrepreneurship with high growth rates. In future, the broadening of Levels 3 and 4 is expected with the activities from Levels 1 and 2 migrating to the other levels. The number of new companies registered (a proportion of which relate to Entrepreneurship) has in general been increasing over the past years (Figure 1). Figure 2 clearly shows that the number of new companies in Level 4 has been growing at a much faster rate compared to those in the other

levels.

Figure 2 clearly highlights the rapid increase in growth rate of level 4 or knowledge intensive enterprises from 10,000 companies in 1991-1992 to 30,000 companies in the year 2005-2006, while in the other levels, there is no sharp increase as compared to the level 4. This clearly highlights that now entrepreneurs take the opportunity to make the road, as well as walking on it. Entrepreneurship is about the sheer joy of taking an idea and making it work. Entrepreneurs today are of great pride, passion and self-respect, from doing things on one's own. It brings a sense of belongingness derived from doing one's own thing and providing employment to many. Thus 'Entrepreneurship provides the opportunity to create wealth and make the best of the economic environment'.

HIGHLIGHTS OF INNOVATIVE ENTREPRENEURSHIP IN INDIA

A critical eye on the 'power of ideas' that is, innovation and 'bringing ideas into life' which is done through entrepreneurship together can be considered as innovative entrepreneurship. Here an analysis of some of such innovative ideas and their success in the business field is thus explained further.

Suvarna Urja wind power Pvt. Ltd., Pune

Suvarna Urja wind power designs and manufactures wind-turbines and power storage systems specifically for

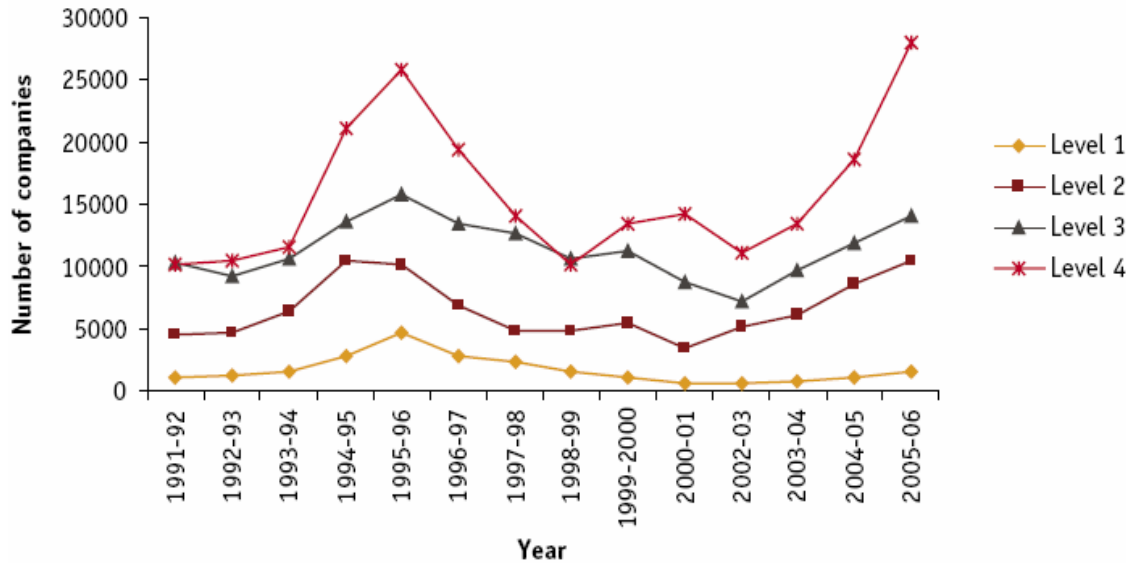


Figure 2. Registration of new companies according to nature of economic activity. Data for 2001-2002 were not available. Source: Based on data received from Ministry of Company Affairs.

the Indian rural power market. Since 2009, this small company has already received orders to produce wind turbines and power systems for four Indian states (Ramachandaran et al., 2006).

Sustainable technologies and environmental projects Ltd., Mumbai

In the focus on oil industry recycling technologies, STEPS have been developed, such as the "Poly Crack" technology, to convert plastic waste into diesel. The process is more efficient than competing technologies and leaves no heavy metal residues (pollutants). Since 2007, STEPS efforts have received world-wide media coverage. The company has sold their Poly Crack conversion system to several companies in India and Europe. Promising new opportunities in the USA and South East Asia are on the horizon, and STEPS N.A., a North American subsidiary has already been established.

Bharatmatrimony.com

An idea of starting a Tamil portal, which later shifted its focus on Matrimony, became a world class business. The innovative ideas of Bharatmatrimony.com are as follows:

1. Photo Protection: they saw the need from their customers about privacy.
2. Horoscope matching and creation: Another important need which created value for their customers.

3. Profile verification: To their surprise, people opted for 3rd party verifications, while searching for their business partner on the net

4. Matrimony reference: Their customers became their marketers when reference system was put into place.

5. Payment options – Through Sify Way, tie ups with banks, creating local associates (who gets commission) in various cities.

6. Going mobile: Another trend they spotted to served the needs of their customers

7. Partnerships, such as with Tata Sky

All of these innovative ideas lead to the success of Bharatmatrimony.com.

DhanaX

In May 2008, 27-year old Rajnish Sinha and his IIM-Kozhikode batch mate Siva Cotipalli started Bangalore-based DhanaX. A microfinance firm and the idea of clubbing it with person to person (P2P) lending, a platform where people contribute small amounts online as loans. NGOs take up the task of disbursing these loans to needy communities in their areas of operation. Interest is charged at 24%, of which DhanaX keeps approximately 6%. So far, DhanaX has helped its four partner NGOs acquire loans of Rs 20 lakh.

In summary, in this new era of the *knowledge revolution*, India must seek out and exploit some of its inherent strengths to accelerate economic development, while creating extremely attractive avenues for

employment generation. Bio–Technology (BT) and Information Technology (IT) are the two new pillars of the era of knowledge management.

Recent surveys, such as those undertaken by Goldman Sachs and Price water house Coopers, have estimated that India has the potential to be among the world's leading economies by 2050.¹ In this situation, India enjoys enormous potential for the creation of wealth through knowledge. Entrepreneurship and Innovation are the key drivers for generating wealth from knowledge, supported principally by the availability of skilled human resources, access to finance and the ability of the State to create an enabling environment (Punnathara, 2009).

RECOMMEDATION AND CONCLUSION

Entrepreneurship is a critical aspect of the knowledge economy and India has a large pool of entrepreneurs, who have the ability to make a difference and need to be nurtured to achieve their potential, and provide a further boost to the Indian economy. India needs entrepreneurs for two reasons – first, to create employment and wealth and, second, to get the most out of existing opportunities.

Practical knowledge based education system should be started that will cerate more interest in the students. Educational institutes should also work as regional information centers by keeping the record of databases of the research work done (Srinivasan, 2007). Government should also take the initiatives by not only providing adequate support in financial terms but also by rendering training facilities to the entrepreneurs as and when the need arises. To explore the possibility of having an all encompassing website on Entrepreneurship as a one-stop information portal for current and aspiring entrepreneurs.

Synergies between Education (including modern vocational education training/skill development), Innovation (converting ideas into wealth and employment) and Entrepreneurship should be encouraged. There is need to enact a uniform legislation for publicly funded research that would grant IP the rights for successful results of research to universities/research centers and also entitle the inventor to a share of the royalties from commercialization, as a source of innovation and entrepreneurial advancement. India's innovation intensity could also improve significantly if more PhD and other research scholars are encouraged by providing a supportive environment for Entrepreneurship. There is also a need to significantly increase business incubation for

Entrepreneurship (BIE) by comprehensively exploring policy options to improve access to financing. While valuable work is being done by Indian incubators, there is huge scope for them to become entrepreneurial themselves by providing services such as market data, helping in preparing business models, recruiting skilled employees, etc.

If India is able to use its true potential of becoming leader in entrepreneurial activities, then the resultant financial gain are always of benefit to the country. The budding sectors to innovate and in which Indian entrepreneurs can prove themselves the leaders are Bio-technology and Information Technology (Saxena, 2004).

REFERENCES

- Chandra A (2009). India: Country replete with phenomenal innovation and entrepreneurship potential. Available on the web at <http://www.knowledgeportal-in/contents/node/445>,
- Devarajan RTP, Ramnarayan S (2003). Entrepreneurial Leadership and Thriving Innovation Activity, Proceed of 7th Intl. Conf. on Global Business and Eco. Development, Bangkok,
- Drucker PF (1985). *The Practice of Innovation, Innovation and Entrepreneurship Practice and Principles*, Harper and Row, New York, pp. 19-33.
- Drucker PF (2007). *Entrepreneurial Strategies, Innovation and Entrepreneurship Practice and Principles*, Harper & Row, New York, pp. 207-243. *Corporate Entrepreneurship, Effective Executive*, the ICFAI University Press, April 2007.
- Goswami A, Dalmia N, Pradhan M (2008), Report of Knowledge Commission India 2008 'Entrepreneurship in India'.
- Maqbool HE (2006). Nurturing innovation and creating a suitable climate for entrepreneurship, World Summit on Innovation and Entrepreneurship officially opened in Muscat, April 03, 2006. Available on the web at <http://www.ameinfo.com/82080.html>.
- Menon K, Ramsay I (2008). Innovation Track: Innovation and Entrepreneurship. *J. Manage. Res.*, 19(2): 139-154.
- Punnathara CJ (2009). Shrimp Exporters Turn innovative, *The Hindu Business Line*, January, 17: 42-5.
- Ramachandaran K, Devarajan TP, Sougata Ray (2006). *Corporate Entrepreneurship: How?*, Vikalpa, 31: 1.
- Saxena SC (2004). The Role of Innovation: Technology and entrepreneurship lead the way. *Prabandhan: Ind. J. Manage.*, 12(1): 49-65.
- Sharma P, Chrisman J (1999). Entrepreneurship theory and practice, toward a reconciliation of the definitional issues in the field of Corporate Entrepreneurship. *J. Bus. Manag.*, 20(9): 31-41.
- Srinivasan TN (2007). Create a Framework that helps Entrepreneurs, interview to *The Hindu, Business Line*, April 23, 2007.

¹ See Outlook Business, May 5, 2007; Goldman Sachs' BRIC report states that by 2050, India could have a GDP of \$37.66 trillion, just marginally less than USA's estimated \$38.51 trillion. The Price water house Coopers report, 'The World in 2050' states that India could be the fastest growing economy by 2050.