



# Level Of Entrepreneurship And Effect Of Institutional Factors On Level Of Entrepreneurship

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## **Abstract**

## **Introduction**

It is imperative to introduce innovation in a world full of uncertainty and difficult conditions. The world, as well as the markets and economy, are changing quickly. One needs to be able to take risks in order to make money in order to establish a business in such a dynamic market. Entrepreneurship is the process of organising and operating the business effectively. An entrepreneur is a person who takes the risks necessary to launch a business and profits as a result. In order for a nation to prosper economically, entrepreneurship is crucial. A nation's level of entrepreneurship can be used to gauge its level of development. Entrepreneurship generates prospects for employment, innovation, technological advancement, national income, industrialization, export promotion, etc. Since entrepreneurship is crucial to a nation's development and influences that development in turn, the origin of the nation also has an impact on entrepreneurship. The process of starting a new business is just one aspect of entrepreneurship. According to Mishra and Zachary (2014), the definition of entrepreneurship is "a process of value creation and appropriation led by entrepreneurs in an uncertain environment."

Acs, Szerb, and Autio (2014)a; Hwang and Powell (2005); Levie et al. (2014); and Troilo (2011) have identified institutional framework conditions as a key regulator of the quality of a nation's entrepreneurial dynamic, or the process by which people in a nation channel resources towards economic uses by starting new businesses. Early institutional development phases in emerging countries differ from those in established economies in a number of ways (Ismail and Ford, 2010; Wilkins and Emik, 2019). But in more recent times, the significance of small businesses has shifted. More than ever, it is viewed as a means of entrepreneurship that contributes to social and political stability as well as jobs. Instead, it adds to the competitive and inventive power. In contrast to industrialised nations, developing economies' institutional environments are more complicated and ambiguous (Meyer and Peng, 2016; Nielsen et al., 2018).

New econometric evidence (Audretsch and Thurik, 2000; Audretsch, Carree, Van Stel and Thurik, 2002; Carree and Thurik, 1999; Carree, Van Stel, Thurik and Wennekers, 2001; Audretsch, Carree and Thurik, 2001) suggests that entrepreneurship is a crucial determinant of economic growth rather than being seen as a social good that should be maintained at an economic cost. The institutional framework and quality of a nation's institutions (e.g., its culture, social norms, laws and regulations, rates of corruption, and rule of law) not only control who starts new businesses, but also control the decisions those businesses are likely to make once they are up and running (Autio and Acs 2010; Levie and Autio 2011). The degree of entrepreneurship is impacted by several institutional actions. Based on the degree of development of the nation, several variables must be taken into account while engaging in entrepreneurship. Entrepreneurs successfully guide their businesses via innovation and creativity. Entrepreneurs in a developing nation like India must be extremely driven to advance their country<sup>2</sup> (Santhi, N., & Kumar, 2011). The broadest definition of institutions is "the rules of the game" (North, 1991, p. 98). Institutions are "social structures that have attained a high degree of resilience [and are] composed of cultural-cognitive, normative, and regulative elements that, along with associated activities and resources, provide stability and meaning to social life," according to Scott (2001, p. 48).

In order to comprehend the various facets of entrepreneurs and entrepreneurship, numerous theories have been established. Examples include Peter Drucker's theory on innovation and entrepreneurship, Max Weber's theory of social change, McClelland's theory of need for achievement, and Schumpeter's theory of economic development. Each theory has contributed to the understanding of various facets of entrepreneurs and the entrepreneurial process. There are other more theories that have made contributions in this area, such as Burns' (2012) Trait theory and Sarasvathy's (2001) Effectuation Theory.

### **Theories of Entrepreneurship**

<b><u>S.No</u></b>	<b><u>Theory</u></b>	<b><u>Explanation</u></b>
1	Schumpeter's theory of Economic Development	Schumpeter's theory says that development of entrepreneurship is a process which will take place when the economic conditions are suitable and appropriate.
2	Max Weber's Theory of Social Change	Max Weber's theory says that social factors that exists in the society effects the entrepreneurial atmosphere such as culture, religious views etc.
3	McClelland Theory of Need of Achievement	McClelland theory says that uncertainty helps the entrepreneur to find new ways to make decisions.
4	Peter Drucker's Theory on Innovation and Entrepreneurship.	Peter's Theory says that entrepreneur always seeks opportunity and look for change and respond to the changes very well.
5	Uncertainty bearing Theory of Knight	Frank H. Knights says that success of entrepreneur is associated with the risk and profits and with understanding uncertainties.

Regarding the extent of entrepreneurship that is now present and the institutional framework that governs an economy, every economy is unique. Adult Population Surveys (APSs) have used a variety of characteristics to categorise economies in order to comprehend their entrepreneurship systems. Every economy has a unique

reason, viewpoint, and aim for launching a new firm. Understanding, assessing, and comparing the level and institutional framework that influence the degree of entrepreneurship will be made easier with the aid of this study. One developed economy—the USA—and one developing economy—India—have been used in this study.

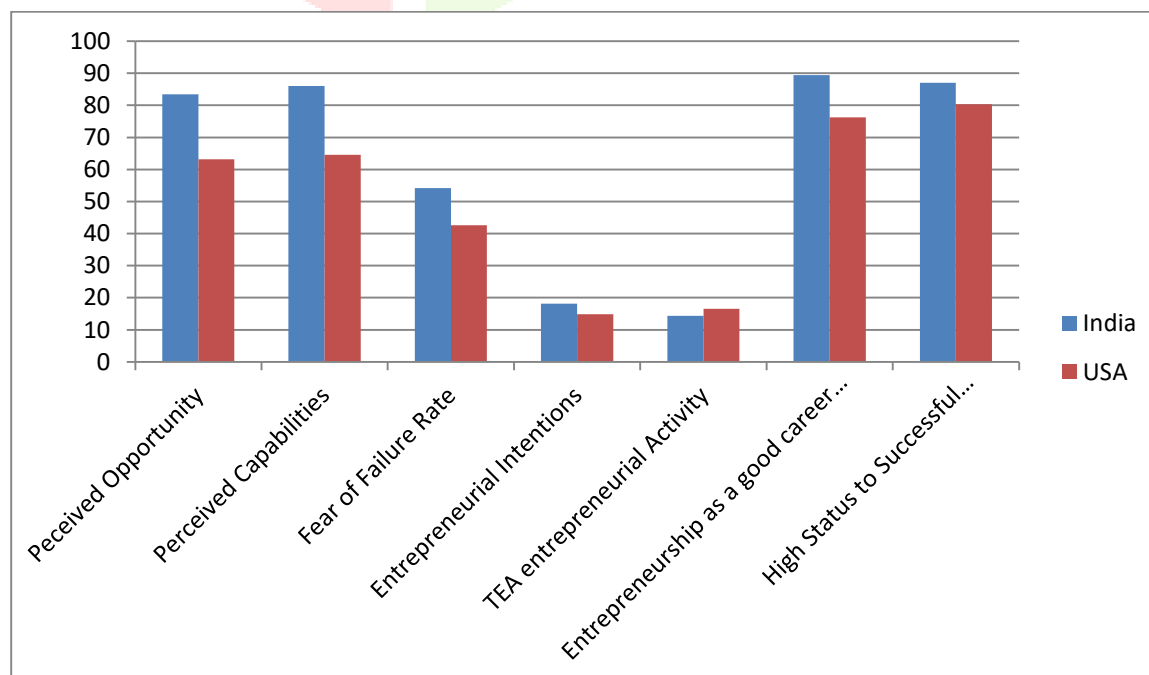
For comparison study, the Global Entrepreneurship Monitor (GEM) has been taken into account. Indicators that will aid in understanding the degree of entrepreneurship present in the economy have been taken into account in the table below. The population aged 18 to 64 has been taken into account, along with the year 2021. GEM uses a sampling of the 2000 population as a representative sample of the population for their annual survey.

### Levels of Entrepreneurship in different Countries

S.No	Indicator of Level	India (%age)	USA (%age)
1	Perceived Opportunity	83.41	63.15
2	Perceived Capabilities	85.99	64.55
3	Fear of Failure Rate	54.14	42.56
4	Entrepreneurial Intentions	18.14	14.84
5	Total –Early stage entrepreneurial Activity (TEA)	14.37	16.52
6	Entrepreneurship as a good career choice	89.47	76.23
7	High Status to Successful Entrepreneurship	87.01	80.38

(Table 1-Table of Indicators- Year 2021)

(Source GEM survey 2021)

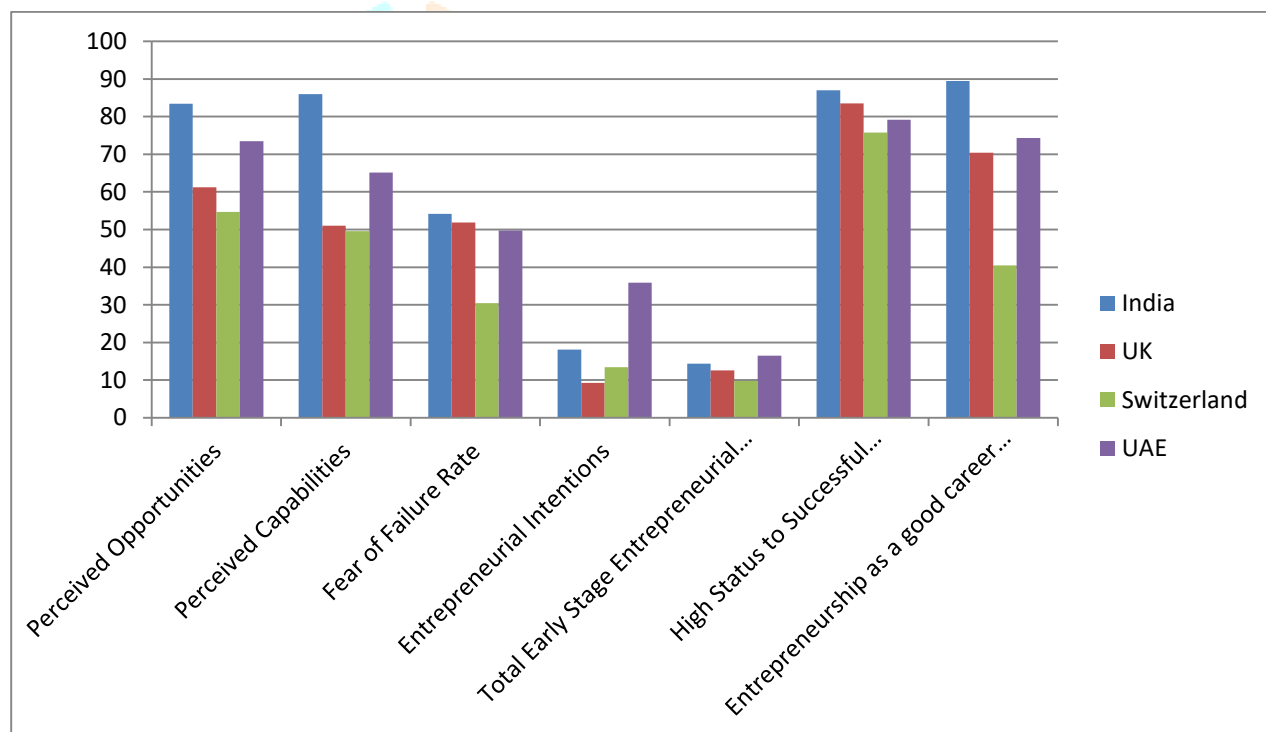


(Fig 1 Statistical Chart of Indicators)

Table 1 show that 83.41 per cent of the population perceived that they have good opportunities in India to commence a new business and 85.99 per cent perceived that they have capabilities to start the new business in India whereas only 63.15 per cent population perceived the same in USA for opportunities and 64.55 for capabilities in USA. The Fear of failure to start the business is higher among the Indian as 54.14 per cent population feels this way whereas in USA, the percentage is 42.56.

Table 1 shows that the intentions of entrepreneurial activities are higher among Indian population with 18.14 per cent as compare to USA population which stands at 14.84 per cent. In year 2021, total early stage entrepreneurial activities were slightly higher in USA with 16.52 per cent as compare to 14.37 per cent in India. In year 2021, 89.47 per cent of the population finds entrepreneurship as a good career option in India whereas 76.23 per cent of the population in USA. 87.01 per cent of the population finds high status to successful entrepreneurship in India whereas in USA, it stands at 80.38. Hence, from the above indicators, it can be concluded that by comparing India and USA for their level of entrepreneurship, Indian population has better perception regarding entrepreneurship and finds this as a better career option.

### Comparison with the other leading countries to understand and develop a view about the world regarding entrepreneurial activities of year 2021.



(Fig 2 Comparison of Countries –Developed and Developing)

### Institutional Framework Conditions

To critically assess events, it is crucial to understand how economies are structured. The entrepreneurial framework conditions determine how much entrepreneurship is encouraged or discouraged in the economy and how it affects the overall health of the economy. Various EFCs that might affect entrepreneurial operations are listed in Table 2. EFCs are directly impacted by government laws and regulations, therefore it is obvious how the government is doing in terms of expenditures and priorities. It is crucial for economies to effectively manage all aspects of the institutional framework because doing so helps them grow and foster an environment that is conducive to entrepreneurship. This study aims to determine how institutional variables affect entrepreneurship levels..

<b><u>National Entrepreneurial Framework Conditions</u></b>	
<b>Entrepreneurial Finance-</b>	Funds for start-ups
<b>Ease of Access to entrepreneurial Finance-</b>	Funds are easily accessible
<b>Government Policy-Support and Relevance-</b>	Policies support entrepreneurial activities
<b>Government Policy-Taxes and Bureaucracy-</b>	Start -ups are not over-burdened
<b>Government entrepreneurial program-</b>	Supportive entrepreneurial programs are available
<b>Commercial and professional program-</b>	Programs of high quality are available
<b>Research and Development Transfers-</b>	Easily transferable into new business
<b>Ease of Entry-Market Dynamics-</b>	Markets are open and free and easy
<b>Ease of Entry-Burdens and regulations-</b>	No strict rules and regulations to restrict the entry
<b>Physical Infrastructure-</b>	Affordable and good quality infrastructure is available
<b>Social and Culture norms-</b>	Welcoming and encourages the entrepreneurship

(Table 2- EFC, source: GEM Report,2022)

From the Global Entrepreneurship Monitor (GEM) 2022/23 Global Report, the below mentioned statistics can be considered.

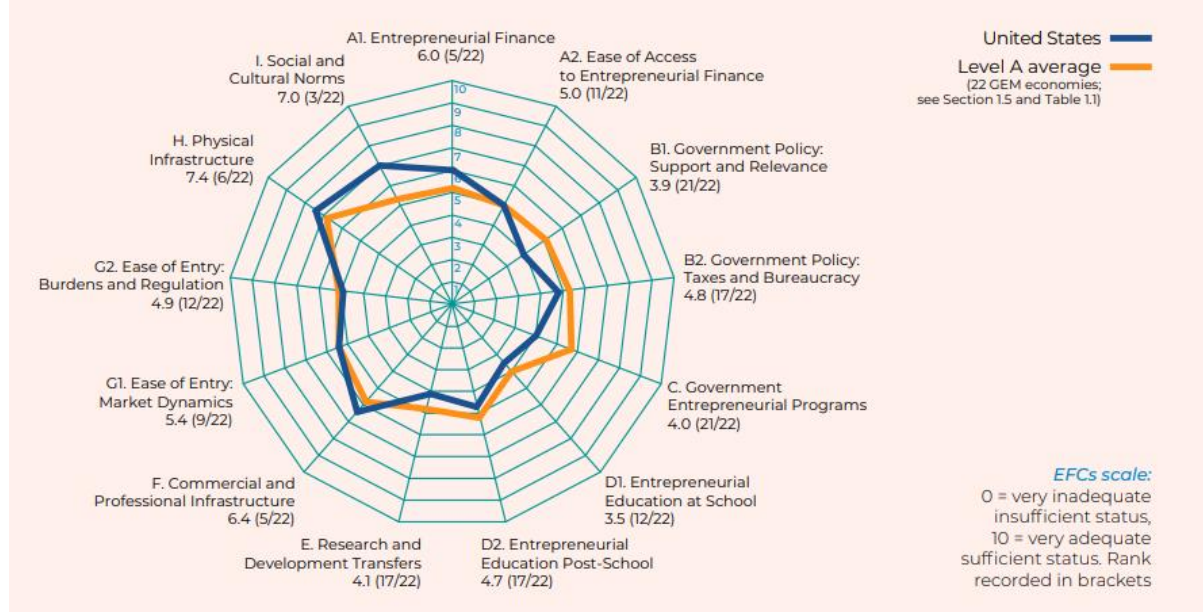
Framework Condition		Level A		Level B		Level C	
A1. Finance	high	United Arab Emirates	7.2	Taiwan	5.9	Indonesia	6.0
	low	Cyprus	3.4	Panama	3.1	Venezuela	1.9
A2. Access	high	United Arab Emirates	7.2	Taiwan	5.4	India	5.7
	low	Italy	3.9	Argentina	2.5	Venezuela	1.8
B1. Policy	high	United Arab Emirates	6.9	Taiwan	7.1	India	6.6
	low	Spain	2.9	Argentina	1.8	Venezuela	2.1
B2. Burdens	high	United Arab Emirates	6.9	Taiwan	7.1	China	6.5
	low	Spain	3.3	Argentina	1.8	Venezuela	1.7
C. Programs	high	Austria	7.1	Taiwan	6.6	India	6.3
	low	Cyprus	3.6	Argentina	3.2	Venezuela	2.1
D1. Schools	high	Israel	7.6	Latvia	5.6	India	5.7
	low	Cyprus	2.5	Mexico	1.7	Togo	1.5
D2. Colleges	high	United Arab Emirates	7.4	Taiwan	5.9	Indonesia	6.2
	low	Austria	3.8	Romania	3.1	Iran	3.0
E. R&D Transfer	high	United Arab Emirates	6.8	Taiwan	5.8	India	5.7
	low	Spain	3.4	Poland	2.8	Venezuela	2.1
F. Commercial	high	United Arab Emirates	6.8	Taiwan	6.9	India	5.9
	low	Israel	4.8	Oman	4.1	Venezuela	3.8
G1. Entry Dynamics	high	Korean R	7.8	Latvia	7.1	Venezuela	7.1
	low	France	3.7	Uruguay	2.0	Guatemala	3.4
G2. Entry Burden	high	Israel	6.9	Latvia	5.5	India	6.0
	low	Spain	4.1	Mexico	3.3	Iran	3.1
H. Infrastructure	high	Switzerland	7.8	Taiwan	8.4	China	7.3
	low	Israel	3.6	Oman	4.6	Venezuela	4.0
I. Culture	high	United Arab Emirates	7.9	Taiwan	6.7	Indonesia	6.4
	low	Israel	2.5	Panama	3.2	Tunisia	3.7
COVID recovery	high	Lithuania	7.3	Uruguay	6.7	India	6.7
	low	Israel	4.0	Oman	3.9	Togo	3.8
SDG actions	high	Norway	6.7	Taiwan	6.6	Indonesia	6.0
	low	Cyprus	4.5	Oman	3.6	Iran	3.1

(Table-3, source-GEM Report 2022)

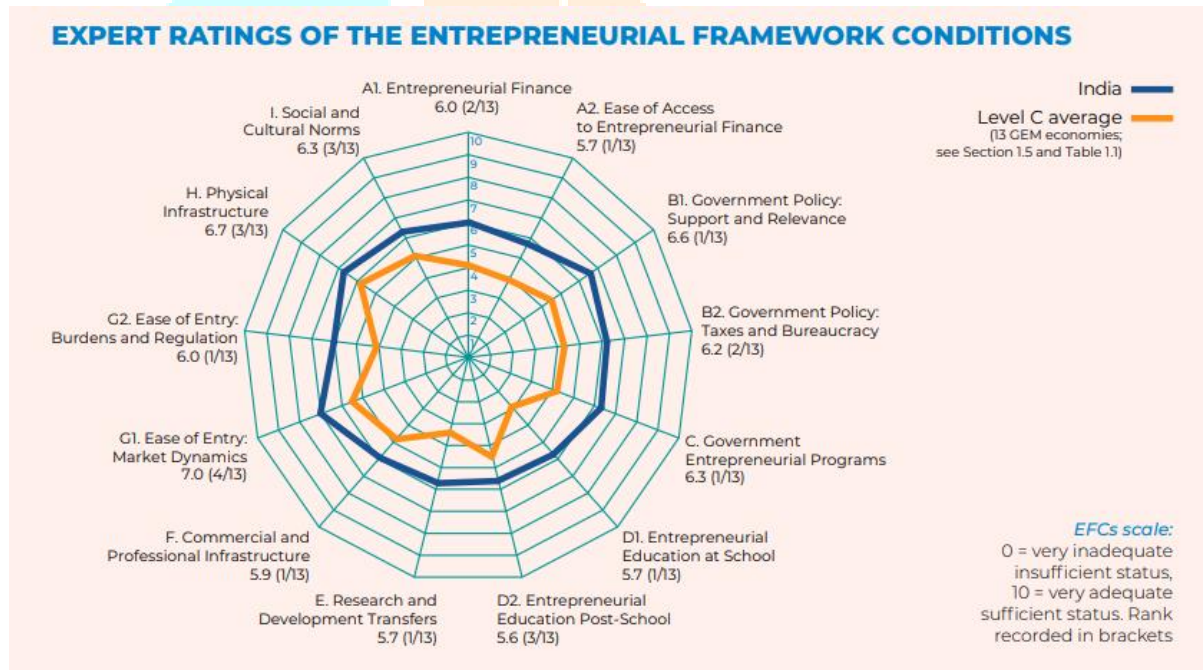
In the above, three levels of countries have been taken, each level represents the different income group- Level A, B, C. From the Table 3, it can be concluded that India being a level C income group country, performs well in access to the finances for start-ups, Government policies and regulations that supports new business, in research that can be easily transferable into new business, easy of doing business, programs of high quality are available. Whereas, USA, being a level A income group country doesn't out perform in any of the institutional framework. Hence, it can be concluded that there is a positive relation between the level of entrepreneurship that exists within the country and the institutional framework that supports new business and start-ups in the economy.



**EXPERT RATINGS OF THE ENTREPRENEURIAL FRAMEWORK CONDITIONS**



(Source-GEM survey 2023)



(Source: GEM survey 2023)

The above figure shows and compares the institutional framework of India and USA. It clearly shows the situation of entrepreneurial activities in both the economies.

## Ease of Doing Business

Many nations implemented changes aimed at simplifying and reducing the cost of operating and launching a business in order to encourage the expansion of the private sector (Klapper and Love 2010). Indeed, there is a wealth of research showing that obstacles to firm entry are linked to slower economic growth (Crafts 2006; Herrendorf and Teixeira 2011) or to drivers of economic growth like factor productivity (MoscosoBoedo and Mukoyama 2012; Poschke 2010), technological advancement (Prantl 2012), entrepreneurship (Dreher and Gassebner 2013), and foreign direct investments (Jayasuriya 2011; Corcoran and Gillanders 2015).

Any economy that has more barriers to entry will eventually stifle growth since it will make it difficult for new businesses to get off the ground. In order to encourage the entry of new businesses, it is crucial to comprehend and determine the extent to which the economy is facilitating ease of doing business. Some data from the World Bank's 2019 report has been used to gauge how easy it is to do business in various economies..

<u>S.No</u>	<u>Country</u>	<u>Ease of Doing Business (1=most friendly country)</u>
1	India	62
2	USA	6
3	Switzerland	Not provided
4	UAE	Not provided
5	UK	8

(Source: World Bank Survey Report)

(Table 4: Ease of Doing Business)

## Conclusion

The entrepreneurial process combines a variety of elements, including invention, creativity, taking calculated risks, and good change management. Innovation is necessary in the current environment, when everything is changing so quickly, to stay competitive. Many theories that have been developed to describe entrepreneurship and entrepreneurial activity do so quite effectively. In this study, it was determined that various economies have varied views on entrepreneurship and that there is a strong correlation between institutional framework and entrepreneurship levels. Additionally, it has been noted that there are several institutional variables that influence an economy, and it is crucial to comprehend these aspects in order to comprehend the context of entrepreneurial activity. Few nations have been taken into consideration for this study, and they have been compared based on perspective, fear of failure, and how the populace perceives entrepreneurship. According to the Global Entrepreneurship Monitors (GEM) Report 2023, the globe is divided into three income level groups: Level A, B, and C. India belongs to the level C income group, while the United States is in the level A income group. Switzerland and the United Arab Emirates are also at Level A.

The status of any economy may be determined by how well its institutional framework supports entrepreneurial activity. The availability of cash and elements including government programmes, policies, and the ease of doing business have all been considered in this study. Different nations from Level A, B, and C were used to compare the components. It has been noted that India has excelled in several areas compared to other nations in the level C income group, which indicates that the country has a favourable environment for entrepreneurship..



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