

## **CHAPTER I INTRODUCTION**

### **1.1 ENTREPRENEURSHIP AND ITS IMPORTANCE**

Successful nations are built by people, optimizing the resource utilization and sustaining on the basis of inclusiveness. Entrepreneurship has been viewed and cited by researchers as an important contributor to a nation's industrial growth as well as a significant driving force in a nation's overall economic development. Entrepreneurship is the main vehicle of economic development as is evident from the writings of Anokhin (2008).

The important economic mechanism of entrepreneurship includes increasing employment opportunities through innovation and welfare. From the economic point of view, economists like Kindleberger (1977) and Lewis (1991) in the study of factors of production and economic development identified entrepreneurship and knowledge as the two most critical of the five factors among land, labor, capital, entrepreneurship and knowledge. They are also considered as the driving factors for any economy.

To achieve the goal of economic development, the promotion of entrepreneurship is extremely important, as proved by the developed economies like US, Japan. The developing countries have also realized the importance of entrepreneurship as there is a growing awareness among the policy makers to take up initiatives to promote entrepreneurship among the people.

The Global Entrepreneurship Monitor report (2011) says that entrepreneurship requires intervention at multiple phases where in the, policy makers, practitioners and academics have to address the unique needs of the people in this process. The needs may be in the form of initiatives that involve

how to identify, develop or motivate potential entrepreneurs and generate society-wide attitudes to support these people.

The National Knowledge Commission of India, (2008) defines entrepreneurship as: 'Entrepreneurship is the professional application of knowledge, skills and competencies and / or of monetizing a new idea, by an individual or set of people by launching an enterprise de novo or diversifying from an existing one distinct from seeking employment as a profession or trade, thus to pursue growth while generating wealth, employment and social good.'

Endorsing entrepreneurship has become a major topic of public policy across the developed and developing countries. Any economy's entrepreneurial capacity requires individuals with the ability and motivation to start businesses. And a positive societal perception of entrepreneurship is an equally important parameter.

In the developed countries, policy frameworks include the development of support system for creation of new firms which are spin offs from the university or the research center. Combined with a capability to develop technology, these new firms contribute not only to the economic growth, but also innovation.

On the other hand, endorsing academic entrepreneurship has recently started as a subject of discussion for policy makers in the developing countries. Various steps have been taken to stimulate the growth of entrepreneurship, particularly in the University.

The Government and the various stakeholders like educational institutions have taken measures to improve entrepreneurial activity in the country. In practice, entrepreneurs have altered the direction of economies, industries and markets. They have reallocated the resources from existing users to new users and more productive users that has transformed the society and created new industries in various sectors.

Entrepreneurship is influenced by a variety of reasons at two levels external and internal. Among both influences the major influence is at the internal, individual level as it is both intrinsic and strongest. The entrepreneurial activity is undertaken by the individuals who have entrepreneurial intention within them.

Psychologist and social scientist have proved that intention is the predecessor for any behavior. Entrepreneurial intention has proved to be the predictor of entrepreneurial behavior. There is a growing body of literature arguing that intentions play a very relevant role in the decision to start a new firm.

## **1.2 INDIAN SCENARIO**

Post independent India witnessed very low entrepreneurial activity but the impact of liberalization changed the entire complexion of business and commerce on the Indian landscape. The information technology revolution brought about changes in leaps and bounds catapulting India into the world stage. Another aspect of it is the huge technological strides made by the Knowledge industry in India. Knowledge being the riding force towards growth, the requirement is that of entrepreneurial activity.

In a survey by the Deloitte group in (2008), India ranks 2<sup>nd</sup> globally as home to fastest growing technological firms. Goldman Sachs and Price water house coopers estimated India has the potential to be among the world's leading economies by 2050.

According to Global Entrepreneurial Development Index (GEDI), (2011) in India was positioned at 73<sup>rd</sup> position in the list of 78 countries. The list is published annually by Imperial College Business School, University of Pecs and George Mason University. The best entrepreneurial performing country is U.S. followed by Australia, Sweden and Canada. India's neighbor China- a leading patent applicant stands at 54<sup>th</sup> position with Brazil, Venezuela and Costa Rica. India was at 68<sup>th</sup> position in the previous year ranking.

A Gallup study (2011) of 20 economic entities in Asia showed that India ranked in the bottom quartile on several important indicators of a well-functioning entrepreneurial ecosystem. Although cross-country comparisons may not be ideal because of Asia's economic, governmental, and cultural diversity.

It's a known fact that India, today, is an emerging economy that is destined to achieve milestones, on various fronts, in the near future. However, for India, to acquire the status of a "developed" nation, it needs to create 100 million jobs, as pointed out by experts.

To achieve this mark, tapping the potential of the unemployed and exploring opportunities in the employment market, so that each and every person plays a crucial role in contributing towards the growth of the Indian economy is necessary.

However, how can a country create 100 million jobs? And the question is which industry will absorb people and bridge the employment gap? Contemplating the possibilities of the army, the railways, the government and the private sector to recruit, speculations about the difficulty in employing in such huge numbers continue to persist.

The gap can only be filled up if large number of people take self employment and start ventures of their own. In order to support entrepreneurship, the right framework, funding and mentoring needs to be provided.

India has one of the fastest growing economies in the world. It also has a significant youth population. But the country does not have a substantial number of entrepreneurs. India needs to minimize barriers and provide support that will accelerate entrepreneurial growth

Entrepreneurs have consistently contributed to India's vibrant growth-oriented economy since its economic liberalization in 1991. Entrepreneurship has become increasingly important in sustaining India's rapid growth.

In the Global Entrepreneurship Monitor (GEM) Report (2006), The percentage of Population involved in the Early Stage Entrepreneurial Activity (new business set up to 3 to 4 years old) between Age group of 18 – 64 in India is 10%. The 65 %percentage of respondents in The Early Stage Entrepreneurial Activity were based on Opportunity Motive and 27% were based on necessity motive and rest in others.

The Global Entrepreneurship Monitor (GEM) report is an annual survey of the entrepreneurial attitudes, activities and aspirations around the world conducted by a consortium of academic researchers across the globe. Its report in (2010), provided the following data with respect to India's entrepreneurship activities.

The job growth expectations for early stage entrepreneurship activity is less than 15%; India ranks 4<sup>th</sup> lowest in terms of innovation for early stage entrepreneurship activity amongst the factor driven economies. India also shows a low less than 25% international orientation when compared to other economies having a land mass as large as India.

All the above information and forecasting makes it imperative for the country to understand the pre-startup process of starting a venture. Entrepreneurial activity can be galvanized by taking the initiatives at social and personal levels of an individual.

This has been realized by India as recently in one of its states, Kerala, the State Government in 2012 decided to implement the Student Entrepreneurship Policy, to change the state from remittances and services based economy to an “enterprise building state”. For other states this can be the roadmap for policy decision with respect to developing entrepreneurial activities in the respective states.

### 1.3 MOTIVATION AND PROBLEM STATEMENT

According to Drucker, P., (1991) the entrepreneurial activities have been the driving force for innovation in the increased technological advancements and intense international competitions. In order to provide the infrastructure support for the new ventures many programs and services have been implemented. In today's time the graduates from technical institutions and management disciplines are more than ever expected to start ventures. This will have a significant implication on Employment and Economic Growth.

Successful Research Universities like MIT in Cambridge foster entrepreneurial Activities which is evident from the thousands of MIT related companies that exist today with total Employment of 1.1 million people and sales of \$232 billion. Similarly Stanford University is associated with cutting edge technology ventures in Silicon Valley.

But the data on India's entrepreneurial activities are not very encouraging. This raises a situation where in India's needs to improve in the area of entrepreneurship. The major issue of finding employment avenues for millions of young educated individuals is near to impossible. The emphasis on education and the proactive role of the Government to educate all the young children's of India makes one of the factors of production namely knowledge high in supply. But supply of entrepreneurs is not equally high.

Endorsing academic entrepreneurship has recently started as a subject of discussion for policy makers in the developing countries. Various steps have been taken to stimulate the growth of entrepreneurship, particularly in the university.

The future of entrepreneurial behavior has been primarily predicted by entrepreneurial intention. Intention can be defined as the state of mind directing a person's attention towards a particular behavior for achieving something. Intentions capture the motivational factors that influence an individual's behavior to pursue entrepreneurial activities.

In Tamilnadu, a southern state in India is considered to be in the forefront of technical and professional course provider, in the form of having largest number of technical Universities and Engineering Colleges. It comes across as the largest supplier of Human Resources with professional skills. But the rate of entrepreneurship among these graduates is not encouraging as majority of the students prefer Employment over entrepreneurship.

Investigation of factors determining entrepreneurial intention has become an important parameter for understanding entrepreneurial behavior. However there has been very limited number of studies done in this field especially in the developing economies. In India where a majority of the population is young and education becoming a priority among the central and state governments, the study of entrepreneurial intention among the students has become essential to develop policies and strategies to improve it.

However, a lot of research is still needed for better understanding of the factors affecting entrepreneurial intention. Demographic, personal and educational institutional factors are a powerful influence on the students' decisions to start a business and thereby on the entrepreneurial intention.

#### **1.4 OBJECTIVES OF THE STUDY**

The following objectives are realized as important aspect to study entrepreneurial intention. To assess the influence of demographic and personal aspects on entrepreneurial intention which has proved to be the framework in the previous studies in the developed countries based on the review of literature.

1. To assess the level of Entrepreneurial Intention among the students in Chennai City.
2. To examine and analyze the influence of personal and institutional environment on the Entrepreneurial intention among the students.
3. To find the subjective, situational and role models influence on Entrepreneurial intention.

4. To design a model that explains the dimensions that influences Entrepreneurial intention among students in Chennai.

### **1.5 HYPOTHESIS OF STUDY**

The following hypotheses were identified by the researcher to understand the factors influencing the entrepreneurial intention. These hypotheses have been taken for testing to understand the influence it has on the entrepreneurial intention of the students.

1. There is no significant influence of Age on Entrepreneurial intentions among the students.
2. There is no significant relationship between the academic performance and entrepreneurial intention.
3. Entrepreneurial intention is independent of educational qualification of parents of the students.
4. Entrepreneurial intension is independent of Birth Order.
5. There is no significant influence of Personal attitude on Entrepreneurial intentions of the students.
6. Perceived feasibility has no significant impact on Entrepreneurial intentions.
7. There is no significant influence of Role models on Entrepreneurial intentions.
8. Entrepreneurial intentions and Institutional support are directly dependent.
9. There is no influence of motivation, role model; attitude, education and age of the students have on feasibility and desirability dimension.

### **1.6 LIMITATIONS OF STUDY**

The focus of present study is on personal, institutional, role models and situational dimensions on entrepreneurial intention. However, sociological factors, cultural factors may have impact on the entrepreneurial intention among the students. The study is conducted in Chennai city and suburbs and may not be

generalized for India as the entrepreneurial ecosystem differs from region to region. Variables considered can be applied universally and may be adopted for further research.

## 1.7 CHAPTERISATION

The research plan includes the research study to be divided into different chapters. The following are the chapters into which the research has been divided into.

The **first chapter** deals with the introduction consisting of; Entrepreneurship and its importance, Entrepreneurial Intention and dimensions affecting the intention. The rationale of the study, scope of the study, objectives of the study, hypotheses and limitations of the study are elaborated.

The review of literature is presented in the **second chapter**.

The **third chapter** deals with the conceptual framework of Entrepreneurial, Intention, personal and Institutional dimensions influence on the Entrepreneurship.

The **fourth chapter** deals with research methodology, sampling procedure, sample size determination and statistical tools used.

**Fifth chapter** consists of analysis and findings with respect to the impact of demographic, personal and Institutional aspects on Entrepreneurial Intention.

The **sixth chapter** comprises of conclusion, usefulness of study and scope for further research.