

Q&A

Ritu Dubey

Q. *What is the future of entrepreneurship in India?*

A. In India, business was traditionally considered to be the domain of scholarly challenged individuals or the result of natural inheritance within business communities. Gradually, the appetite for risk and the acceptance of failure increased, but only recently have alternate professions and the idea of "following one's dream" gained approval. In particular, entrepreneurship caught the fancy of the Indian middle class after the economy was liberalized. The economic reforms introduced in 1991 reduced the bureaucratic controls, promoted private enterprise, and lowered the barriers to creating new businesses. Coupled with the emergence of knowledge economy, the demand for skilled employees greatly increased and a trend emerged toward technology entrepreneurship in the services sector, which is less capital-intensive than traditional industries.

Indeed, the future of entrepreneurship in India lies in the services sector, and the Government of India is providing support to encourage this trend. However, there are as many challenges as there are opportunities, as will be discussed below.

Government Support

Traditionally, government programs, and support from the banking and finance industry, were largely focused and aligned to the manufacturing sector with its strong product focus. Industry associations such as the Confederation of Indian Industry (CII; cii.in), the Federation of Indian Chambers of Commerce and Industry (FICCI; ficci.com) and the Associated Chambers of Commerce and Industry of India (ASSOCHAM; assocham.org) have existed since the pre-independence era and lobby the government for policy initiatives that favour traditional businesses and industries. With the information technology sector emerging as a rapidly growing segment of Indian industry the National Association of Software and Services Companies (NASSCOM; nasscom.in) was formed in 1988 as the industry association for information technology industry.

In 2000, the National Science & Technology Entrepreneurship Development Board (NSTEDB; nstedb.com) – under the aegis of the Department of Science and Technology (DST; dst.gov.in) – launched the Technology Business Incubation (TBI) program (nstedb.com/institutional/tbi.htm), which is geared towards supporting entrepreneurship in emerging technology areas such as information and communications technology, manufacturing, biotechnology, nanotechnology, and agricultural technology. This program was an extension of the Science & Technology Entrepreneurs' Park program, which was initiated in 1985 by the NSTEDB in academic institutions and research labs of excellence with an objective of promoting self employment for young science and technology graduates. The NSTEDB identified 120 technology business incubators in different technology areas within India (NSTEDB, 2009). Of these, 53 were promoted by the NSTEDB, 40 were software technology parks promoted by the Ministry of Information and Communication Technology, and the remaining 30 were promoted by other government departments, banks, financial institutions, or private companies. The numbers are small for a country as large as India and the geographical distribution is also not uniform: 56% of incubators are located in southern India, 21% are in northern India, 17% are in western India, and only 6% are located in eastern regions (NSTEDB, 2014).

The Government of India promoted and supported small and medium-sized enterprises (SMEs) in India by establishing clusters across the country. District Industry Centres were established in all major cities and towns of India. Cottage industries were established and promoted through various support programs under the Khadi and Village Industries Commission. In 2006, the Government of India established the Ministry of Ministry of Micro, Small & Medium Enterprises (Ministry of MSME; msme.gov.in), which provides support in the form of infrastructure resources, funds, training, and tax benefits.

Besides government initiatives, many private organizations are helping build the entrepreneurial ecosystem

Q&A. What is the future of entrepreneurship in India?

Ritu Dubey

and related support services. A number of private incubators and accelerators have entered the field in the past few years, though most of these are located in the main technology hubs of the country (i.e., Delhi-NCR, Mumbai, Bangalore, Pune, Hyderabad, Chennai, Kolkata) leaving a lot of scope for penetration to less prominent cities and towns.

Challenges and Opportunities

Data from the NASSCOM resource centre paints a clear picture of the emerging startup ecosystem in India (NASSCOM, 2014):

- The number of technology startups has tripled in last six years, from about 1000 to 3000 startups.
- Two-thirds of entrepreneurs are less than 30 years of age.
- Health care, retail, and SMAC (social, mobility, analytics, and cloud) are the hot beds of technology entrepreneurship.
- The number of angel investors has grown from 7 to 32 from 2006 to 2012 while the number of venture capitalists has grown from 43 to 48 in the same period.

Thus, the entrepreneurial journey of an independent India has only just begun and the road ahead is full of promise, provided that a favourable ecosystem continues to develop and give wings to this fledgling trend. There is much to desire in terms of policy reforms and support system available to entrepreneurs. However, numerous challenges and related opportunities remain and can be summarized as follows:

1. *Culture shift*: India has experienced nearly two centuries of colonial influence followed by a half century of socialistic policy leanings, and neither of these contexts favour free private enterprise. The shift to an entrepreneurial culture is a recent phenomenon, which is yet to transform the traditional middle-class mindset of business being "the refuge of the incompetent and the unscrupulous" and of salaried jobs being a secure option in an uncertain world. This culture is gradually changing with social acceptance of new alternatives and growing appetites for risk. The shift to nuclear families and high mobility has also reduced social pressures to conform. In most areas, the gaps are many and competition is limited, hence a large opportunity exists for entrepreneurial initiatives.

2. *Disparity*: The entrepreneurial ecosystem is evolving every day with the birth of new support agencies (both government and private initiatives) to meet the growing needs of entrepreneurs; yet, it has a long way to go to address the needs of a country as large as India. The rapid growth of a support system is concentrated in certain pockets of urban development centres, mainly in the technology hubs limited to metropolitan areas and some state capitals. The distribution of facilities though uneven is fast spreading, and the benefits of the developing economy are gradually percolating to the remote geographies and to the demography at "the bottom of the pyramid" thanks to increased social entrepreneurship. The equitable distribution of the benefits of economic growth and development has caught the attention of many socially inclined entrepreneurs. Hopefully, the glaring disparity in wealth distribution can be made less stark by providing an even playing field.

3. *Foreign influence*: The growth of the Indian economy is service oriented with a heavy dependence on export. The domestic demand is low due to stagnant primary and secondary sectors of the economy. A huge spate of economic reforms are the need of the hour to boost domestic agriculture and the industrial sector to create indigenous demand for services and to develop the domestic markets. A heavy dependence on foreign economies makes growth unstable and vulnerable to external uncertainties. That the need for this balance is being recognized at different levels and that policy reforms for promoting the neglected sectors of the economy are being initiated are good signs. A heavy investment in infrastructure development and business-friendly regulations being planned to improve the country's ratings in terms of the ease of doing business and to attract foreign direct investment and foreign institutional investment, if successfully implemented, can open doors to new possibilities for entrepreneurs.

4. *Lack of success stories*: The success of predecessors opens doors for those who follow. India needs more entrepreneurial success stories to feed on and motivate the next generation to embrace the difficult but rewarding entrepreneurial journey. Rags to riches success stories of early Indian entrepreneurs associated with Infosys, Flipkart, Naukri, Makemytrip, Biocon, Dr. Reddy's, Red Bus, and the like are giving rise to new hopes and aspirations in the masses. The blooming SME sector reflects the strength of a country's economic ecosystem. India needs to recognize and reward its risk takers and promote entrepreneurs

Q&A. What is the future of entrepreneurship in India?

Ritu Dubey

of all hues as the growth engines of the economy. Having tunnel vision about what success consists of and what is considered an achievement for an entrepreneur may restrict the diversity of initiatives. The ecosystem needs to support all segments of entrepreneurial effort without discrimination or bias for set categories.

5. *Social entrepreneurship*: India suffers from inequitable distribution of wealth, with 42% of its large population living below the international poverty line of \$1.25 USD per day (UNICEF, 2008). Many are still deprived of the benefits of economic growth and the technology revolution. To achieve inclusive growth for all economic sections of the society, another trend is social entrepreneurship, which aims to create enterprises that will impact the lives at the bottom of demographic pyramid. For example, the penetration of mobile technology to the remotest geographies and the lowest economic strata is proving to be the most helpful tool in reaching out to this segment, and social entrepreneurship funds and incubators are now available with exclusive focus on this sector. Incubators such as Villgro (villgro.org), the Rural Technology and Business Incubator (RTBI; rtbi.in), Periyar Technology Business Incubator (periyartbi.org) are exclusively focused in this area while others such as the Centre for Innovation Incubation and Entrepreneurship (CIIE; ciiindia.org) and the Deshpande Foundation (deshpandefoundation.org) are increasing efforts to identify scalable models in social enterprises. Funds such as Ennovent (ennovent.com), Dasra (dasra.org), and UnLtd India (unltdindia.org) are trying to systematically invest in scalable social enterprises. Because there are large gaps in this sector, the potential and scope for innovation is also high.
6. *Funding*: Although the traditional banking and financial industry has rules and regulations that favour the industrial sector, which is more oriented towards secured debt, new equity-investing arms are coming up in most public and private financial institutions to support the service sector. Private seed and angel funding besides private equity and venture capital funding are fast growing, primarily in funding technology ideas that have a shorter life cycle and rapid scalability potential.

Conclusion

The Indian experience has established that, when the right environment is created by the policy makers, the entrepreneurial spirit of the people finds expression and the economic activity booms. The government and the citizens alike have realized the potential of private initiatives ever since the Indian economy was liberalized in the 1990s. The trend of private enterprise is picking up pace in India and is likely to be supported by all executive and legislative functions of the country irrespective of political ideologies.

Despite many challenges, the entrepreneurial opportunities in India are substantial. A new-found entrepreneurial culture is creating a favourable ecosystem of service and resource providers. Besides government programs and agencies, a number of private funds, mentors, and service providers are entering the arena to further accelerate the trend. There is a long way to go to reach a mature entrepreneurial landscape in India, but the opportunities are sufficiently large and numerous that the future of India will likely be shaped by its entrepreneurs.

About the Author

Ritu Dubey is Senior Manager of the JSSATE Science & Technology Entrepreneurs Park in Noida, India, which is a technology business incubator supported by the Government of India's Department of Science and Technology. For the past four years, she has been active in the development sector in the domain of innovation and entrepreneurship promotion. She has also been managing the incubator's seed fund scheme for technology startups and managed the outreach centre for innovation funding under the Technopreneur Promotion Programme of the government's Department of Scientific and Industrial Research. Before joining JSSATE, she was a commissioned officer of the Indian Army, and she holds a Post-Graduate Diploma in Management from the Institute of Management Technology in Ghaziabad, India.

Q&A. What is the future of entrepreneurship in India?

Ritu Dubey

References

- NASSCOM. 2014. Start-up Ecosystem: Innovative, Daring, Futuristic. National Association of Software and Services Companies. August 1, 2014: <http://www.nasscom.in/india-startup-ecosystem>
- NSTEDB. 2009. *Developing Ecosystem for Knowledge to Wealth Creation: Technology Business Incubators*. New Delhi: Government of India, Department of Science and Technology, National Science & Technology Entrepreneurship Development Board (NSTEDB).
- NSTEDB. 2014. *Fuelling Entrepreneurship: The Story of Technology Business Incubation in India*. New Delhi: Government of India, Department of Science and Technology, National Science & Technology Entrepreneurship Development Board (NSTEDB).
- UNICEF. 2008. *The State of the World's Children 2009: Maternal and Newborn Health*. New York: United Nations Children's Fund (UNICEF).

Citation: Dubey, R. 2014. Q&A. What is the Future of Entrepreneurship in India. *Technology Innovation Management Review*, 4(8): 46–49. <http://timreview.ca/article/822>



Keywords: entrepreneurship, India, ecosystem, incubators, support agencies, social entrepreneurship