

---

# Entrepreneurship in a Globalized Economy : What it needs for India to capture the Momentum

*Sakshi Bathla\**

## *Abstract*

*The study aims to examine the current trends and progression of entrepreneurship to familiarize ourselves with some the challenges faced by the budding entrepreneurs and identify opportunities available to them through changes in the ecosystem globally and at the national level. The study takes into account changes over last decade with respect to technology, ease of doing business, four E's (Education, Empowerment, Experience, Enterprise) that have evolved and created favourable environment for entrepreneurship development. To what extent regulations and access to modern technology such as the Internet help in making the Vision 2020 of India a reality? While funding for start up entrepreneurs remains a major challenge, new avenues are emerging. This paper discusses how start up business should make use of all these opportunities to create values for the market. The paper is organised in the following way. Firstly, the paper discusses the extent of technological disruption and reforms of regulatory system both at national and in global organisations such as WTO, World Bank, IMF, IDA. Then, how 4E's have changed the ecosystem. In next sections, detailed discussion on construct of ease of doing business and avenues of funding are taken up for discussion.*

**Keywords :** *Entrepreneurship, Technology, 4 E's, regulations*

## **Introduction**

The **advent of technology** have brought sweeping changes in the way business practices have evolved around the globe. **Business engineering** facilitates an entrepreneur to convert an idea into a business venture. Now, both existing entrepreneurs and aspiring ones recognise the fact that adopting technology is no more an option but compulsion to survive and grow. Technology is the central to both start and scale up business as well as compete in the market.

Ease of doing business index prepared by World Bank Group indicates business environment for 190 countries. Based on thirteen aspects of business from

start to running and being able to exit in case of business failure, the index is taken as reflection of competitive business environment of a nation. Improvement in India's position by 4 ranks to 130<sup>th</sup> on **Ease of Doing Business** is the indicator of the degree of integration of her business environment with rest of the world. While it is clear India's business

**\*Ms. Sakshi Bathla**  
Assistant Professor  
Glocal University  
Delhi-Yamunotri Marg  
Saharanpur, U.P.  
India

---

environment is far below expectation as reflected in the recent index, positioning of the global companies such as Apple, Facebook, Microsoft and Google in India has exposed India's domestic companies to the culture of world corporate. It is increasingly realized in India that business now is not only an idea for unique value creation for the customer but requires all round efforts to make it a reality. Now as cliché goes it's only about swimming from an island with no resources (just an idea) to the one where magic happens (where investors dwell) implying the entrepreneurs need to swim across to grab opportunity.

By integrating the role of host country's legal, technological, political and socio-economic environment with the functions of international regulatory bodies such as WTO, World Bank, IMF, IDA etc., we have been able to make the local Indian market viable for global business. Integration has occurred also through internet and internet of things. Recently, Smart phone technology has been playing a significant integrating factor for both urban and rural areas to be accessed by global business. What smart phones have done to the world is totally transformational. The net effect on our social and economic fabric is immeasurable. It has intensely impacted our personal living styles and family relationships along with business development and certainly more to come!

#### **4 E's define the world: Major determinants of Global Business**

**1. Education (If you were to live forever):** All nations around globe realise that education is the significant part of social development and this is defining the growth of all economies. The more literate population of a nation is, the more the economy can grow. Only through spread of education diffusion and potential of technology can be at its fullest extent. Also, as per 2012 CCEIR Harmattan School conference: Literacy and the Millennium Development Goals through various literacy-development linkages have shown the direct relation between the education and development. As per UNESCO's report (June, 2013) on ADULT AND YOUTH LITERACY National, regional and global trends, 1985-2015, at the global level the target for adult literacy rate was 91% for the year 2015.

#### **2. Empowerment (So that no net ensnare us):**

The early rise of empowerment is evident from the shift of Caveat Emptor (Let the Buyer Beware) to the Caveat Venditor (*Let the Seller Beware*). The Digital technology has brought a drifting change of how the world is being a better place to live in. The Digital India initiative of the Government of India is impacting every citizen's life deeply, ranging from basics such as identity, authentication to taxes, welfare and self-governance going digital. Employers all over the world are following the suit, they are empowering their employees through mobile-enabled self-care.

#### **3. Experience (A doorway to good judgement):**

Customer being the King expects not only quality in goods and services of the vendor but also a smooth flow of the transaction from order placement to receipt of goods/ services delivered. Experience is accounted as a metrics to measure the success of a business. It has not been possible with the empowerment in terms of technology enabled through smartphones and high-speed networks, such as 3G and 4G. Prospective stakeholders are now looking for enhanced experience especially for businesses areas in entertainment and health.

#### **4. Enterprise/Entrepreneur (It is not about genetic traits but outlook):**

An article in Forbes Magazine defines an Entrepreneur as "Anyone who can cook!" i.e., it's a mind-set, a way of thinking and acting, an orientation. Countries across the globe are extending their efforts to leverage emerging ideas by the young entrepreneurs. The contemporary example is the 'Start-Up India' being implemented by the Government of India. The increasing trend of capitalizing more & more on the new-fangled ideas has led the World Bank to develop the Ease of Doing Business Index to help the innovative and creative entrepreneurs decide about the various factors they may need to resort during the establishment of a business. With well-meaning efforts to improve 'ease of doing business' Index on all fronts, there is a new energy in the World Economy, powered by the Internet and mobile tools.

#### **Research Design**

The paper is based on descriptive arguments, comparative study and analytical logic developed through the understandings from various research

papers, reports, journals, books, newspapers, conference proceedings, Government reports and websites.

The major source of data was the repository of World Bank where the reports for past years for 190 countries contesting for the ranking purposes was available.

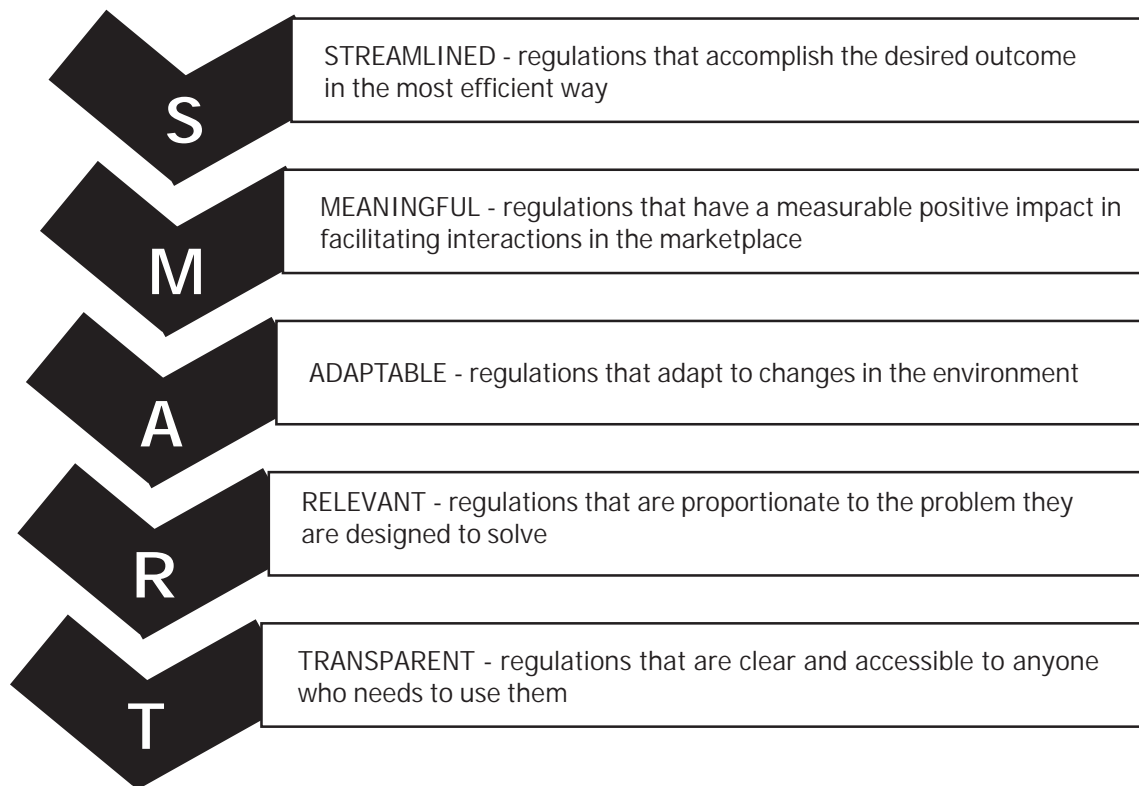
Thus most of the data adopted for this study is secondary.

### The Narrative

### 1. The Ease of Doing Business Index: "MEASURING THE IMPACT"

The index is developed to rank the participating countries in terms of degree of business-friendly regulations to lure a business entity; existing or new company to establish venture. The has been in vogue since 2003 with 133 economies on-board. Currently, 190 countries all over the world are the part of it. So it ranks economies on the scale of 1 to 190, the holder of first place possessing the favorable regulatory and conducive environment for business operation. It weighs the countries on S.M.A.R.T business regulations wherein these alphabets stand for:

TABLE 1 : Weighing the countries on S.M.A.R.T



Source: EODB Report, 2013

The index being another innovative step to narrow choices given to the prospecting entrepreneurs and to ease the standards for policy makers as well as the policy seekers. The index provides a rich opportunity for benchmarking.

### The Indicators

The index consists of a number of parameter on the basis with which these countries are weighed on data collected through the World Bank Enterprise Surveys. Till 2011, there were 11 parameters or dimensions as they apply to the local firms (small and medium sized enterprises) of these countries operating in the largest business city(s) of that economy, including:

1. Starting a business,
2. Dealing with construction permits,
3. Getting electricity,
4. Registering property,
5. Getting credit,
6. Protecting investors,
7. Paying taxes,
8. Trading across borders,
9. Enforcing contracts and
10. Resolving insolvency, and
11. Employing workers/ Labor market regulation.

However, the parameter related to employing workers have been abolished for 2016 indicators list but have been included in the annexure evidencing its evolution with every coming report.

**TABLE 2 : Doing Business - benchmarking 11 areas of Business Regulation**

Complexity and cost of regularly processes	
Starting a Business	Procedures, times, cost and paid-in minimum capital requirement
Dealing with construction permits	Procedures, time and cost
Getting electricity	Procedures, time and cost
Registering property	Procedures, time and cost
Paying taxes	Payments, time and total tax rate
Trading across borders	Documents, time and total tax rate
Strength of legal institutions	
Getting Credit	Movable collateral laws and credit information systems
Protecting investors	Disclosure and liability in related - party transactions
Enforcing contracts dispute	Procedures, time and cost to resolve a commercial
Resolving insolvency	Time, cost, outcome and recovery rate
Employing workers	Flexibility in the regulation of employment

a. The employment of workers indicators are not included in this year's ranking on the case of doing business nor in the calculation of any data on the strength of legal institutions are included

---

The ranking is arrived at by averaging the country's percentile rankings on these 10 parameters. Moreover, the ranking on each parameter is the simple average of the percentile rankings on its component indicators.

The index provides the analysts with specificity, facilitates inter-and-intra country comparability by focusing on laws and institutions rather than generic perception-based questions on the business environment.

### Limits to the scope of the Index

- Doing business is not a full basket as it doesn't measure the full range of factors, policies and institutions in an economy some of them being very subjective to those economies e.g. corruption levels but which may affect the other factors.

- Even within given factors the focus has been kept narrow to cover a specific range of infrastructure which may undermine the competitiveness of an economy.

- There are countries where the business regulations and their enforcement differ particularly in bigger ones.

- One of the basic assumptions of The *Doing Business* Index is that it assumes entrepreneurs to have knowledge of and comply with the prevailing regulations. However, in practice, entrepreneurs may be unaware of what needs to be done or how to comply with the persisting regulations; hence, they tend to lose a considerable amount of time in trying to find out the ways to comply with them.

### Make-in-India campaign : A Move towards entrepreneurship development

Announcement of Make in India Campaign in 26<sup>th</sup> January, 2015 was aimed to become a global manufacturing hub and to sustain its top position as FDI destination.

### Key Features

**Campaign :** The campaign has been designed and planned to give an impetus to industrialization and planned urbanization for which the country is divided into 5 industrial corridors such as

- Delhi-Mumbai Industrial Corridor
- Bengaluru-Mumbai Economic Corridor
- Chennai- Bengaluru Industrial Corridor project
- Vizag-Chennai Industrial Corridor
- Amritsar-Kolkata Industrial Corridor

**1. New Initiatives:** Initiatives are undertaken to facilitate easy access to investment, foster innovation, safeguard intellectual property rights and build world-class infrastructure.

**2. Foreign Direct Investment:** The efforts are on since 1991, to ease the regulatory framework regarding the inbound investments. To validate, India has been ranked amongst the top 3 attractive destinations for investors.

**Intellectual Property Rights:** Transparent intellectual property rights encourage innovation and thus business development. India has been taking several steps to frame intellectual property rights to protect interests of business. It has been improving the functioning of Intellectual Property offices across the country. The objective of the policy is to protect interests of innovators and creators encourage and safeguard their interests backed with appropriate machinery of redressal of grievance and adjudication.

### Angel investors: "THE ALTERNATIVE INVESTMENT FUNDS"

According to a paper **The Globalization of Angel Investments: Evidence across Countries** the market for angel investors in U.S. has shown a trend on rise from \$17.6B in 2009 to \$24.1B in 2014. The study also showed that active involvement of angels in the investments and their close social ties with the entrepreneurs help overcome the constraint of minority shareholder and their legal protections that are important for the development of more decentralized capital markets. The same study also suggests that the start-ups which are funded by the angel investors have positive impact on the growth of the firm they fund.

---

The statistics suggest that 14-23% of the start-ups funded by them are likely to survive for next 1.5-3 years, contribute to 40% growth in employment and 10-17% of exit rate when compared to that of non-angel funded ones.

#### **Crowd Funding: "TOGETHER WE HAVE IT ALL"**

Crowdfunding serves as a novel method of obtaining funds for their new venture through internet in the emerging fields without using the platform of standard financial intermediaries. According to a study conducted by Ethan Mollick titled. The dynamics of crowdfunding: An exploratory study, the personal networks and underlying project quality do affect the success of crowdfunding efforts.

#### **Global Value Chains: "IN A NEVER\_ENDING SEARCH"**

International Business was a lot more problematic for more than one reasons viz. communication links was limited in 1980s, phone calls were expensive, shipping was slow and technology backward. Now, as communication technology has been advancing, phone calls and video conferences are virtually free, shipping is cheap and easy, people are incredibly mobile, computing and internet have made the world better connected than ever.

In this 21<sup>st</sup> century, the process of production has been transforming how companies make products and distribute them worldwide. Taking the example of automobile industry, designers and engineers US might have designed a car manufactured in France. Key components of car manufactured in Paris such as windscreen and tyres and other components might have come from Korea, engine from Germany and GPS from Netherlands. Thus a car rolled off from the assembly line is creating jobs not only in France but across the globe.

Small open economies such as Belgium and Slovakia Republic rely heavily on such foreign imports to turn them to finished goods. However, due to blessed with rich mineral, oil and gaseous resources large economies such as US, Japan, Australia, Norway and Russia get the larger share on the pie as they make up a large percentage of such value chains.

#### **Conclusion: "THE BOTTOM LINE"**

Observations and analysis above depict how both manufacturing and distribution scenario have been changing globally. This has opened up opportunities for India which can be ripped only if India's Business ecosystem changes. India in order to encourage business start-ups should have common platform to study feasible business ideas, register new business, find avenues of getting funds, consultation and incubation facilities. This platform used for exchange of entrepreneurial ideas and help develop the appropriate infrastructure to facilitate entrepreneurship. The platform should foster a culture of higher innovation and growth.

#### **References :**

CCEIR Harmattan School Conference. (2012), *Literacy and the Millennium Development Goals*.

Gregg Fairbrothers and Catalina Gorla.05/10/(2011). Forbes Magazine. Forbes, Inc.

Lerner, Josh, Stanislav Sokolinski, Antoinette Schoar & Karen Wilson. (2015). *The Globalization of Angel Investments : Evidence Across Countries*. Harvard University, MIT, Harvard University and Bruegel, November 16.

Mollick, Ethan. (2013). *The dynamics of Crowd funding: An exploratory study*. The Wharton School of the University of Pennsylvania, United States, August 13.

World Bank. (2013). *About Doing Business : Measuring the Impact*. Washington: The World Bank.

World Bank. 2016. *Doing Business (2016): Measuring Regulatory Quality and Efficiency*. Washington: The World Bank.

UNESCO. (2013). *Adult and Youth Literacy National*. Paris: The United Nations Educational, Scientific and Cultural Organization.