

A Study On Socio Cultural Factors Influencing Indian Entrepreneurship: A Critical Examination

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Abstract:

One of the emerging areas in present technology era is entrepreneurship. Much research is going on the various dimension of entrepreneurship such as: technical, economical, sociological etc because of its vital role in economic development of a nation, employment generation, innovation and creativity. However, very little research has been done on socio cultural dimension of entrepreneurship, especially in developing countries. Hence the present study concentrates on the socio cultural dimension of Indian entrepreneurship. The main objective of the study is to identify the various socio cultural factors influencing entrepreneurship along with theoretical linkages and build a conceptual framework which can be used for empirical validation. A thorough review of literature leads to the identification of six socio cultural factors that are influencing entrepreneurship: family background, education, caste, religion, social networks and social background and a set of theories which may be applicable to entrepreneurship. With the help of both empirically identified socio cultural factors and from theories relevant to entrepreneurship a conceptual model is developed. Future research may concentrates on empirical validation of the designed conceptual framework.

Keywords: Indian entrepreneurship, social factors, cultural factors, theories, conceptual framework, examination

Introduction:

Entrepreneurship is considered as one of the important factors contributing to the economic development of a country. The word 'Entrepreneur' is derived from the French word 'Entreprendre' and the meaning is 'to undertake'. Characteristics of

Entrepreneurship are decision making, risk taking, building organizations, innovation, mobilization of resources etc. Economic development is aided by entrepreneurship in many ways: employment generation, innovation, risk bearer, fair regional development and increase in national income, reduction in concentration of economic power and betterment in standard of living. Entrepreneurship and economic growth are positively related both interns of theory and practice.

India is ranked second in the world in Entrepreneurial activity by 2010. India now stands ninth in the Global Entrepreneurship Monitor Survey (2008) of 28 Entrepreneurial countries. The first phase of entrepreneurship

in India is from Aryans by innovative new crafts and occupations, new handicrafts, breeding of cattle and cultivating land. Second phase pre-Independence Era communities were known as Banias they laid the foundation of entrepreneurship by trade and commerce at initial stage and started manufacturing centres. In the Post independence era India identified the need for industrialization and the first industrial policy resolution act was implemented for industrial and entrepreneurial development.

Historically Indian entrepreneurial growth has a positive relation with economic development of the country. In this regard several studies have focussed on economic determinants of Indian entrepreneurship but very few socio-economic determinants especially the socio cultural determinants of entrepreneurship. This paper concentrates on socio cultural factors influencing Indian entrepreneurship. From earlier studies in India and elsewhere it is identified that: religion, cultural values, caste, education, family background, social networks, values, beliefs may influence Indian entrepreneurship. In general entrepreneurship is conceived as a process that converts business opportunities into wealth creating activities with available resources involving innovation and creativity.

Definitions of Entrepreneurship:

From the review of literature it is clear that there is no universally acceptable definition for entrepreneurship till date. It is Richard Cantillon (1734) who defined entrepreneurship for the first time, saying that entrepreneurship is a bearer of uncertainty in future. For, Joseph Schumpeter (1934) entrepreneur is an innovator who implements change within markets with new combinations of internal organizational strategies. David McClelland (1961) explains that entrepreneur is a person who has high need for achievement with moderate risk taking attitude. Krizner (1973) characterises entrepreneur as an arbitrageur. According to Ronstadt (1984) entrepreneurship is a dynamic process of creating incremental wealth by individuals who takes risks in terms of equity and time for producing new products and services with available resources. Peter F Drucker (1985) opines that entrepreneurship in new dimension involving innovation with the available resources. Venkataraman (1997) defines entrepreneurship as an examiner of how, who what and whom to do activities and produce goods and services. Kuratko & Hodgetts (1998) points out that entrepreneurship

involves identification of opportunities and converting those opportunities into marketable ideas making money over this. Nain Ahmed and Richard Seymour (2008) one of OECD members feels that entrepreneurship is the phenomenon associated with entrepreneurs with enterprising human action in generation of value, new products, processes and markets. For, Ronald May (2013) entrepreneurship is nothing but commercialization of innovation.

The conceptualisation and Operationalization of entrepreneurship from the above definitions can be achieved with the following table (1.1). It is evident that most of the authors characterised that entrepreneurship involves: identification of opportunities, developing new methods or markets, defining new combinations, growth creation and risk taking. Of the various definitions it is found that the Ronstadt's definition is most comprehensive and relevant to the Indian entrepreneurship. Hence it is adopted for the present study.

Table 1.1: Definitions of Entrepreneurship

| Year | Author | Definition | Characteristics |
|------|-------------------|--|--|
| 1734 | Richard Cantillon | Entrepreneurship as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty | <ul style="list-style-type: none"> • Self employment • Sell at uncertain profits • Bearer of uncertainty |
| 1934 | Joseph Schumpeter | The entrepreneur is the innovator who implements change within markets through the carrying out of new quality combinations. These can take several forms: <ul style="list-style-type: none"> • The introduction of a new good or quality thereof, • The introduction of a new method of production, • The opening of a new market, • The conquest of a new source of supply of new materials or parts • The carrying out of the new organisation of any industry | <ul style="list-style-type: none"> • Innovator • Implements change by carrying new combinations • Introducing new good or quality • Introducing new method of production • Opening a new market • To find new source of supply of new materials or parts • Carrying new organization in any industry. |
| 1961 | David McClelland | An entrepreneur is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker | <ul style="list-style-type: none"> • High need for Achievement • Energetic • Moderate Risk Taker |

| | | | |
|------|--------------|---|---|
| 1984 | Ronstadt | Entrepreneurship is a dynamic process of creating incremental wealth by individuals who assume the major risks in terms of equity, time and commitment or providing value for some product or service, which may or may not, be new or unique but value must somehow be infused by the entrepreneur by receiving and allocating necessary skills and resources. | <ul style="list-style-type: none"> • Dynamic process • Creating incremental wealth • Assumes risk in terms of equity, time and commitment • Value creation for product or services |
| 1997 | Venkataraman | Entrepreneurship as a scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited. | <ul style="list-style-type: none"> • Examination of how, by whom and with what effects opportunities create goods and services • Discover evaluate and exploit |
| 2003 | Shane | Entrepreneurship requires human agency. Entrepreneurial process entails: the existence, discovery, exploitation of an opportunity, then the acquisition of resources, the development of an entrepreneurial strategy, and the organizing process. | <ul style="list-style-type: none"> • Human agency • Existence, discovery, exploitation of opportunities • Acquisition of resources • Development of an entrepreneurial strategy • Organizing process |
| 2004 | Hisrich | The process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence | <ul style="list-style-type: none"> • Value time • Financial risks • Social risks • Psychological risks • Rewards • Satisfaction • Independence |

| | | | |
|------|--------------------------------|--|---|
| 2008 | Nain Ahmed and Richard Seymour | Entrepreneurship is the phenomenon associated with the entrepreneurial activity, is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. | <ul style="list-style-type: none"> • Pursuit of generation of value • Creation or expansion of economic activity • By identifying and exploiting new products, processes or markets. |
| 2013 | Ronald May | An Entrepreneur is someone who commercializes his or her innovation. | <ul style="list-style-type: none"> • Commercializes innovation |

Objectives of the Study:

- Conceptualisation of entrepreneurship in the Indian Context.
- To identify socio cultural factors influencing Indian entrepreneurship.
- To build theoretical framework in support to socio cultural factors influencing Indian entrepreneurship.
- To establish theoretical linkages between socio cultural factors and Indian entrepreneurship.

Review of Literature:

DwijendraTripathi (1971) explained the history of Indian entrepreneurship. He highlights religion and caste as important influencing factors in Indian system. He explained the how JRD Tata has become entrepreneur, how Indian system was influenced with social and cultural factors of caste and religion. According to DwijendraTripathi (1971) traditionally brahmins and vaishyas were given trade and commerce related activities, hence very relevant to Indian entrepreneurship. Jains and marvadis are more involved in entrepreneurial activities. John Goheen et.al (1958) says that cultural value are important for economic development of a country where cultural values indeed taken for economic development. Stephen L. Mueller & Anisya S. Thomas (1997) culture influences individuals in innovation, proactiveness aspects.

Roy Thurik & Dejardin Marcus (2011) concentrates on three theories which influence culture related entrepreneurship as The aggregate psychological traits approach, The social legitimization or moral approval approach and The dissatisfaction approach. Aggregate psychological traits approach deals with individual values, norms and individual behaviour aspects of entrepreneurship. social legitimization or moral approval approach deals with social institutions and social norms in the society. The theory explains that individuals with high social status will become entrepreneurs. These two theories of Roy Thurik & Dejardin Marcus (2011) deal with pull aspect of individuals to become entrepreneurs for having an entrepreneurial activity. Dissatisfaction approach

deals with push aspect of individual to become entrepreneurs for doing of entrepreneurial activity. Theory deals with the dissatisfaction of individuals in taking up an enterprise.

Mark D. Griffith et.al (2013) deals with social and political influences, cultural and economical influences, where they had identified a set of factors like social and political influences contains corruption, education and gender; cultural influences contains variables like corruption, gender, education, philanthropic support, volunteer, religion and life standard; and economic influences contains corruption, gender, education, philanthropic support, volunteer, religion, life standard, gini, gdp factor, national savings rate and tax rate. Research results that gender and religion play an important role in defining entrepreneurship. Levent Altinay & Catherine L. Wang (2011) research identifies some of socio cultural factors influencing entrepreneurial orientation are education, prior experience and religion. The research findings that religion and education are most important for entrepreneurial orientation. Akpor Robaro & Masoje Oghenrobaro Mamuzo (2012) has identified socio cultural factors influencing Indian entrepreneurship in Nigerian culture along with some of the theoretical linkage. The research results shows that gender discrimination at Nigerian society along with some poverty and education drawbacks.

Thomas M. Begley & Wee-Liang Tan (2001) deal with socio cultural environment influencing entrepreneurship in comparison between East Asian and Anglo-Saxon Countries taken six East Asian countries and four Anglo-Saxon countries for data collection. Results reveal that at cultural level social status of individuals are important for dealing with innovation aspects. Dharmendra Kumar (2014) study identifies socio cultural factors as social values, religion, education, economic status, family politics, cultural values etc. normally they are real facts that they influence lifestyles, values, beliefs, norms, personality, attitudes etc. most of the sociologists studies says that socio cultural factors influence Indian entrepreneurship. Research concentrated mainly on need based or necessity based entrepreneurs.

Oluremi Hezekiah Abimb et.al (2011) the study had identified sex, age, marital status, gender, family, education, ethnic origin, culture, religion and occupation as influencing factors of socio cultural entrepreneurship. The results reveal that family background, family system and family members, gender influence entrepreneurship. Debanjan Nag & Niladri Das (2014) identifies four factors as education, prior experience, leadership skills and communication influencing entrepreneurship. The research results that higher the education higher will be the entrepreneurial activity, communication of individual also play a vital role in running of an enterprise.

Research Gap:

From the review of literature it is clear that most of the work that has been done on entrepreneurship focussed on identification of the various dimensions of entrepreneurship except the socio cultural dimension. As pointed out by Shradha Shivani, S.K. Mukherjee and Raka Sharan (2006) socio cultural factors play a vital role in the creation of entrepreneurship. In their review article on entrepreneurship,

BoCarlsson et.al (2013) categorically stated that socio economic dimension of entrepreneurship is one area where there is ample scope for future research. In this context the present study aims at bridging this research gap.

Identified Socio-Cultural factors influencing Entrepreneurship:

From the review of literature on past studies on entrepreneurship it is found that five factors are most influential on entrepreneurship: social networks, family background, caste, religion and education. These five factors contain both social and cultural aspects of entrepreneurship social environmental factors are family background, social networks and education where as cultural environment factors are caste and religion. These factors influence entrepreneurship in a significant way in each and every stage of entrepreneurship.

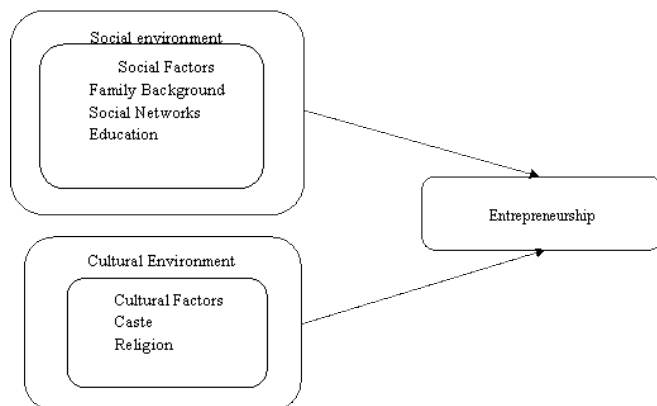


Figure 1.1: Socio-cultural factors influencing Entrepreneurship

Family background in terms of creating entrepreneurship means that how the family members take part in supporting, giving information, providing resources like financial, social, informational, technical, networking etc. Family members impart the values, norms, traditions in the society. Family background helps in identifying the role models, enlarging social networks, encouraging ideas, etc. Social networks are important for an entrepreneurship to get information, access, advices and to get support. Social networks provide information in relation to the generation of new markets, new products and new combinations. These networks provide access to other social networks so that networking capacity of an entrepreneur enlarges. Caste deals with the caste related activities of entrepreneurship. Caste deals with how it influences entrepreneurship in taking of entrepreneurship activity. Researchers say that some castes are very encouraging to entrepreneurial activity whereas some caste refuses to support entrepreneurship. Last factor is religion influences entrepreneurship based on their morals, values, beliefs etc. Researchers say that some religion support entrepreneurship like marvadi's Jain's, Sikh's, where as some religions refuse individual to take up entrepreneurship.

Theories of socio-cultural factors influencing Entrepreneurship:

Socio cultural environment has many factors which influence entrepreneurship as social networks, family background, caste, religion and education. These factors were identified from review of literature which linked with the theories of entrepreneurship. Theory supports the future research of formulation of hypothesis taken from theory. Theories supporting these socio cultural variables influencing entrepreneurship as shown in figure 1.2.

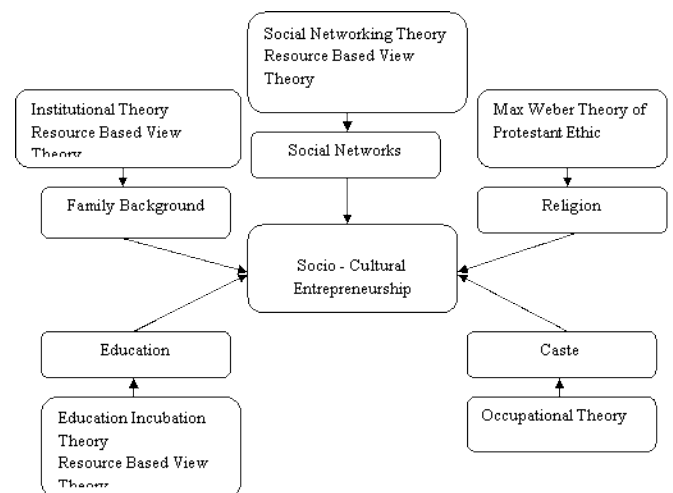


Figure 1.2: Theoretical Linkage of socio cultural factors and entrepreneurship

Social Networking Theory:

A network consists of nodes called as actors involved in network along a set of links called as relationship between actors. Social networking theory says that social networks are important for entrepreneurs in regard to access of information, suggestions, advices, etc., Granovetter (1973) says the difference between strong ties and weak ties and how weak ties will influence entrepreneurship. With increasing the number of ties and building a social network individuals can become easily entrepreneurs. Some researchers say that entrepreneurs in establishment stage give importance to social networks but after the establishment they give less importance.

Max Weber's Theory of Protestant Ethic:

Max Weber's views entrepreneurship as capitalist. Max Weber is the first person who emphasized cultural dimension of entrepreneurship in the early twentieth century. Max Weber's theory of protestant ethic says that some religions are very conducive to entrepreneurship where as some religions are not. Theory says that religious affiliation and social affiliation are important for economic development for any country. He says that religion plays an important in determining and defining Indian entrepreneurship. In many studies Weber's theory is taken as a design for going into further research work.

Occupational Theory:

Nesfield's occupational theory says that caste is the primary thing which influences individuals to choose their occupation in the Hindu society. Individuals in high caste society will be more enthusiastic to take entrepreneurship whereas individuals with low caste are not willing to take entrepreneurship. He says that function by function alone is responsible for caste system. He also says that it's not only occupation but also education and other influence caste. For example in north agriculture people were given more importance where as in south agriculture people were given less importance.

Education Incubation Theory:

Education Incubation Theory says that educational development helps entrepreneurial emergence through creation of new knowledge and giving awareness and new orientation to the individuals. The theory says that economies with high level of education will tend to become more entrepreneurial than others. The developed and advances countries are examples for theory. Most of the researchers say that education is the primary factors which influence socio cultural environment of entrepreneurship. Many studies had taken education as one socio cultural factors which influence entrepreneurship in a positive manner.

Institutional Theory:

Intersection of institutional theory and entrepreneurship research had given much importance for institutional theory in the present time. Many are focusing on institutional domain of entrepreneurship (Aldrich 2011; Hwang and Powell 2005; Phillips and Tracey 2007; Tolbert, David and Sine 2011). Institutional theory explains that institutions are the place where entrepreneurs work and take care of their enterprise. The theory says that inputs required for individuals to become entrepreneurs for starting of an institution are having a positive sign of relation with entrepreneurship.

Resource Based View Theory:

Resource based View (RBV) theory deals with the internal factors like strengths and weakness. RBV Theory deals with four factors as entrepreneur resources, firm resources, entrepreneur networks and entrepreneurial orientation. Entrepreneur resources deals with the necessary inputs for individuals for becoming of entrepreneur's like age, gender, family background, experience, education etc. Firm resources deals with firm related details like size of firm, number of employees etc. Entrepreneurial networks deals with having more number of ties or links with the actors or people involved in the entrepreneurial network. Entrepreneurial orientation deals with innovation, risk taking ability and proactiveness.

Socio cultural factors influencing Entrepreneurship: a Conceptual Framework

From the above discussion it is clear that there is a scope to build a conceptual framework for linking socio cultural

factors that influences entrepreneurship. Here a modest attempt is made to design a frame work of socio cultural environmental factors influencing Indian entrepreneurship (Figure 1.3)

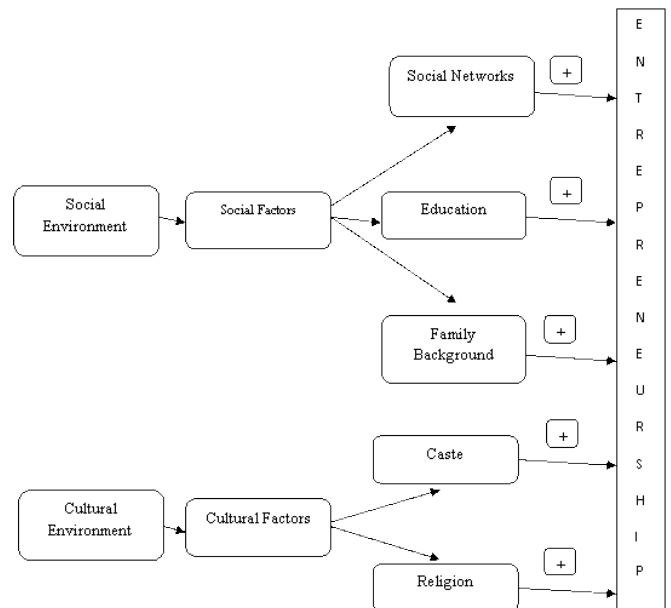


Figure 1.3: Conceptual Framework

In the Figure the signs indicates that the expected theoretical linkages socio cultural factors with the Indian entrepreneurship. Some of the factors having a positive relation with the entrepreneurship identified from theory are: Social networking theory says that there is a positive relation with increasing the social networking of individuals and its easy when individual has a strong social network to become entrepreneurs. Hence social networks are indicated with positive sign with the Indian entrepreneurship. Second factor education implies individuals to become entrepreneurs in giving awareness, providing available opportunities etc. RBV theory and education incubation theory say that education level of individuals will impart them to become entrepreneurs. Third factor, family background influences individuals to become entrepreneurs in defining their morals, beliefs, norms, traditions, role models etc.

From RBV theory and Institutional theory it is identified that there is a positive relation with Indian entrepreneurship. Hence family background is indicated with positive sign with the Indian entrepreneurship. Fourth factor caste influences individuals in education, profession, business, family etc. From Nesfield's occupational theory it is identified that based on caste individuals capture their profession most of the higher caste people are willing to take Indian entrepreneurship. Hence caste is indicated with positive sign with the Indian entrepreneurship. Finally from Max Weber's (1930) theory religion influences individuals in becoming entrepreneurship. Weber says that in his theory some religions a retroactive to Indian entrepreneurship. Hence religion is indicated with positive sign with the Indian entrepreneurship.

In this framework the linkage between social factors, cultural factors and entrepreneurship is explained using the relations engaged in theories. This framework needs empirical validation which may be the domain of further research in entrepreneurship.

Conclusion:

The paper aimed to build a conceptual framework of socio cultural factors influencing Indian entrepreneurship. The identified factors from review of literature are social networks, education, caste, religion and family background. Theoretical linkages were drawn for all these factors. Future research can use this frame work for empirical validation.

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