
Constraints For First Generation Entrepreneurs (FGEs) In India

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ABSTRACT

First generation entrepreneurs are a synonym for entrepreneurs who are at the embarking stage of their journey. They are actually wealth creators. Essence of fresh leadership comes from them. The dilemma that arises in their path is that a new entrepreneur has the risk of losing the whole amount which he/she will invest while an established one is 'Risk-safe'. Though the dismay with investment is attached with both of them and both demand for dedication and arduous works, undoubtedly FGEs have to taste the worst fragment of it. Risks will always be frequent in path and their perception will not be enough every time to calculate the breadth and depth of it. For FGEs it is a lone-wolf walk. They are the folks who continually ask themselves 'how to be successful, removing all the constraints coming in their path?' Entrepreneurs are a vital catalyst for India's economy. However, the growth of first generation entrepreneurs (FGEs) is constrained by lack of access to finance and limited business support. First Generation Entrepreneurs do not have an existing ecosystem to support them and find it harder to run businesses and raise capital compared to second generation entrepreneurs. The challenges faced by FGEs in setting up their business differ across sectors/ regions/ stages of growth. Both the financing and non-financing challenges responsible for the derailment of the entrepreneurs are depicted. The paper reinforces earlier research that from idea generation to convert it into a good business FGEs have to go through many hurdles, which are discussed as factor in the paper. In context to a new entry in the market risk reduction strategies for FGEs are also highlighted in the paper. The findings also highlight the overreaching and predominant influence of funding (financial) in their path. In developing country like INDIA they are struggling to grab position in the market.

Keywords: Constraints, Entrepreneurship, First generation Entrepreneurs, Risk etc.

INTRODUCTION

The conception of the basic word "entrepreneurship" is from French word "entree" "to enter" and "prendre" "to take" and in layman way pertain to any person embarking a new project or endeavoring a new opportunity. Job creation and economic growth are the two-important part played by entrepreneurship towards society. In nascent perception, any individual that sees and acts upon an opportunity, embodies creativity, undertakes finance and business acumen together to transform innovations into economic goods.

By assembling various resources, identifying new markets, or putting a twist on an existing product, process or service s/he takes risks and creates a venture from an idea, hobby, or simply a dream.

Traits such as risk taking propensity, intuition, proactive, high need for independence and autonomy, tolerance for ambiguity etc. shape future of Entrepreneurs. They like fighting the problem on the frontline. Always ready to be criticized because they know critics will ameliorate them. They not only take risk but also put immense efforts to convert ideas into business models for revenue generation. The endorsement is full on to combine resources for paving path toward a new venture. A low increase in the entrepreneurial activity indicates failure of FGEs in the early stage.

Entrepreneurship is purposeful innovation aimed at creating customers

- By creating utility

- By pricing
- By adaptation to the customers social and economic reality
- By delivering what represents true value to the customer. (*Peter Drucker On Entrepreneurship*)

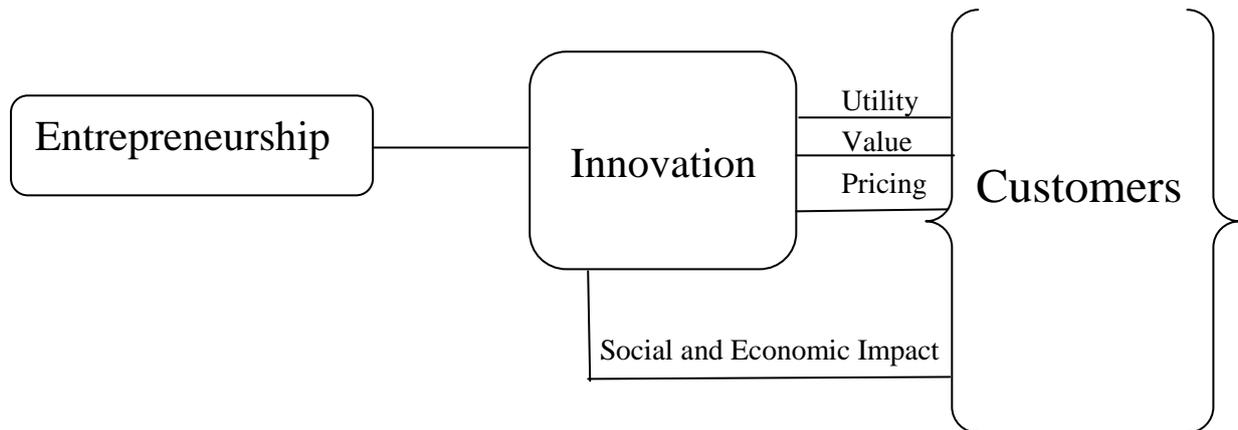


fig 1. Peter Ducker's model:

2. FIRST GENERATION ENTREPRENEURS

Unemployment is one of the biggest hurdles that Govt. of India is facing for o a long time. Participants with less skill are unable to survive the cut throat competition and hence end up as job less. Instead of being a part of jobless group and after denial from all doors a bunch of youth opt for journey in entrepreneurship.

Many are there who have no experience in business and their family also has no business history. If any one step in with new idea/ perception to start a business/to introduce a new product in the market, he/ she is called first generation entrepreneur (in his/her family).

Towards the economic development of a country entrepreneurs play a significant role. If they get proper environment they used to generate lots of job.

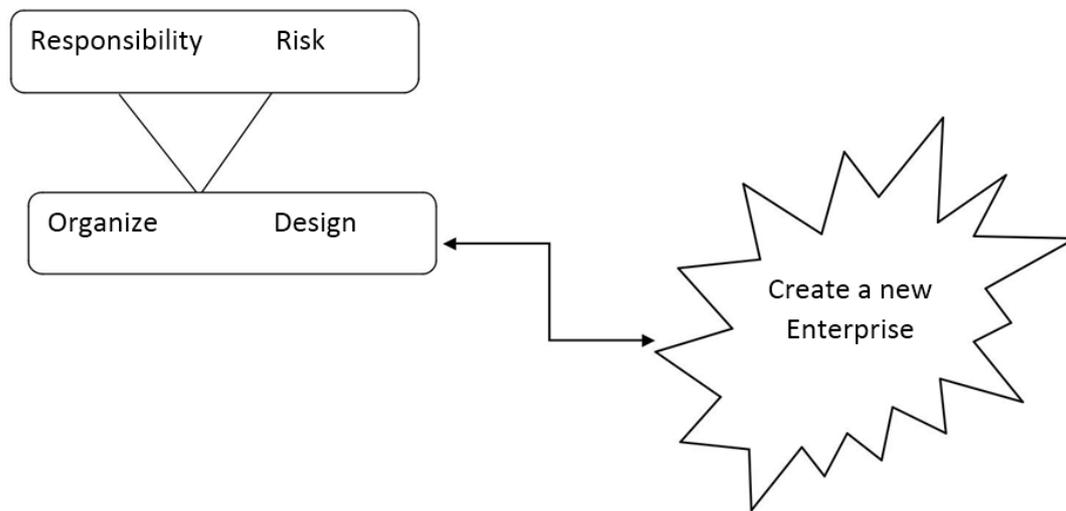


Fig 2. Thought process of FGEs.

3. OBJECTIVE

- To identify the factors responsible for the derailment of FGEs.
- To aware the FGEs about the loop holes which are demotivating them.
- To acquire risk reduction strategies, as in many cases risk factor forces them to step back.

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DATABASE AND METHODOLOGY

The study is based on secondary data. The secondary data required for the studies were collected from various books, publications and journals related to the topic under study.

LITERATURE REVIEW

Francis T. (2003) did a contemporary research in entrepreneurial ethics. He investigated the kinds of ethical dilemmas faced by entrepreneurs. The findings showed that entrepreneurs face uniquely complex moral problems related to basic fairness, personnel and customer relationships etc. To stabilize the business, they have to get rid of these issues.

Rathna C. et al. (2016) did a study on entrepreneurial motivation and challenges confront by women entrepreneurs in Thanjavur district. A descriptive research design was used. Data was gathered from 400 samples which belong from rural and urban areas of Thanjavur district. The findings reveal that financial need motivates woman to the utmost need to opt entrepreneurship in comparison to family income, improve social status etc. The result also shows that unfavorable market conditions and stringent legal and regulatory things have been more challenging than the other problems.

P. Kazimo to (2014) conducted a study aimed to assess challenges faced by Small Medium Enterprises (SMEs) towards international marketing standards. A lot of entrepreneurs embark their business in SME sector as they are unable to raise sufficient fund to start a company in the initial stage. Findings reveal that they confront hindrances to access international marketing unaware of regulations, lack of monetary support from the Government, low understanding of consumer's needs and services, less entrepreneurial skills and weak matrix to enter into international marketing.

Baumol W. (1986) conducted a study to observe the impact of entrepreneurship on the economic development of the nation. The empirical evidence suggests that entrepreneurship has been a key to growth in production and per capita income. It helps to attain a sustainable growth in the society. The ecosystem plays a great role in motivating entrepreneurs.

Davidson, A. et. al (1994). Started doing research with the problem statement 'Can Entrepreneurship Be "Unproductive?"' The annoying question admits of findings depending upon definitional, methodological and theoretical grounds. The main objective of the research was to explore the idea of entrepreneurial productivity from the perspective of economic method and anecdotal evidence. The findings reveal that without proper managerial skills it is tough to stabilize a business.

4. CONSTRAINS

Classification of the constraints can be done broadly as financial and non-financial challenges.

Financial constraints:

The paramount need for nascent stage entrepreneur is ingress to financial management certificate. Though support of incubation is there a very small percentage of entrepreneurs are able to take their idea to second stage. Derailment occurs in their working path as they confront with multiple he challenges.

Access to finance:

Availability of less institutional finance, debt, sees investment, acts as hindrances for FGEs. As FGEs are in the embarking stage, usually they have fewer users, which many times become factor for not getting proper response.

Lack of credit facilities:

Though lots of financial institutions offer business loans, their interest rates haunts entrepreneurs. Moreover bank demand strong backup for mortgage. As a result many have to submit property papers as mortgage and those who can't they need to step back? Their capital raising inspirations doesn't get enough push because of such situations.

Limited ingress of debt from bank:

Accessing debt is a paramount task for FGEs. At the start up stage very few get success to raise capital from bank. The practices which bank opts for lending are mostly anti risk. Weak demand forecasting report submitted by entrepreneurs make banks take decision not to give them funds.

Collateral ties:

Institution which helps financially always prefer collateral agreements. At the preliminary stage entrepreneurs confront obligations as they don't own much asset irrespective of their family asset. Hence the financing authority shows less interest.

Limited history of financial transactions:

At the early phases of business FGEs don't have sufficient amount of financial records and transaction history. Whereas banks ingress most of the credit applications on the basis of past monetary performance of enterprise.

Low access to financial know-hows:

Improper knowledge how to approach banks for loans, how to prepare a healthy details project report (DPR), limited understanding and knowledge about financial services available make their path more complicated.

Priority sectors:

According to the instructions of RBI it is mandatory for banks to supply debt to sectors which tops the priority list of backward sectors. Micro and small enterprises, agriculture, tourism etc. get preferences from bank.

Equity access:

The Venture capital in India is at a nascent stage in India. As this directs towards some form of ownership in the venture, it make capitalists check both the good and adverse effects. Because inadequate business plans may lead to a total failure of the project.

Tax policies:

According to VC tax policies in India are not static. They keep on changing which create hurdle for them at the time of increasing investments. Such fluctuations are not favored.

Inadequate options to exit:

Sale of stake is the only option available for the exit of VC funds in India. In the under developed ecosystem any other eco system is rarely noticed.

NON-FINANCIAL CONSTRAINTS:**Unequipped business plan:**

The business plan should reflect the revenue generation model properly. Potential about the service or product which the enterprise is trying to launch should be properly depicted. Investors do not find this information properly hence get demotivated

Lack of proficient team:

The core team of most of the new ventures consists of FGE himself and his coworker. It is necessary to have a professional in the team.

Family constraints:

Still it is considered as taboo by the family members to opt business over job. Those who are doing family business they also don't encourage their children. Every one want to be in the safe side.

Social issues:

Sometimes society gives feedback to doing business in a sarcastic way. After doing graduation of if someone out for doing business, they have to face lots of sarcasm from their relatives, neighbors etc.

Cronyism issues:

Low skilled persons are often promoted and given better chance based on back door recommendations or political interference. Because of these issues FGEs face hurdles at the time of making license and statutory clearances. Wide spread corruption, bureaucratic tussles etc. Make their work more hectic.

Changing business environment:

A bunch of entrepreneurs with a motive to earn money in short interval of time embarks doing business in MSME sector. But most of them don't have adequate knowledge about the butcher like competition of the market. Those who have not ameliorate themselves with recent technologies find it hard to survive.

Wrong forecasting:

Sometimes FGEs over judge their preliminary success. By tasting their starting success, they become overconfidence and lose their patience and derail from their original path.

Unpredicted challenges and expenses:

An entrepreneur should be prepared for whatever comes in his path, as a sailor who always stays ready for unexpected storm. Unexpected hurdles may come in the in the form of

- Law suit
- Changing govt. policies
- Unable to procure payroll
- Unexpected leaving of workers /staffs.
- Worse debts from buyers.

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- Dropping of market share
 - Insufficient stock or inventory.

RISK REDUCTION STRATEGIES

A new entry in the market either with a new service /product involves considerable risk for the entrepreneur and his/her firm. Risk in this context refers to the probability and magnitude of downside loss which could result in bankruptcy. It is a dangerous situation for those who have no previous experience of business; they may lose the support of their family also. Most of the time risk derives from the entrepreneur's uncertainties over market demand, technological development and action of the competitors. Market scope and Imitation are the two widely used strategies for risk reduction.

a. Market scope strategies.

Scope is a choice by the entrepreneur about which customer groups to serve and how to serve them. The choice of market scope ranges from a narrow – to a broad scope and depends on the type of risk entrepreneur believes is more important to reduce.

A narrow scope strategy offers a small product range to a small number of customer groups to satisfy a particular need. It makes the firm to focus on producing customized products, localized business operations, and high level of product quality. This reduces the risk of not facing competition with larger, more established firms. It has its own constraints also. If the target segment is not properly defined it does not holds good.

A broad–scope strategy suggests dealing with uncertainties about attractiveness of different market segments. By offering a range of products across many different segments, the entrepreneur can gain an understanding of the whole market by determining which products are more profitable. After that unsuccessful products will be dropped and concentration will be full on the product that showed good response. Hence it is clear that a narrow scope strategy offers a way of reducing some competition – related risks but increases the risks associated with market uncertainties. In contrast, a broad–scope strategy offers a way of reducing risk associated with market uncertainties but faces increased exposure to competition.

b. Imitation strategies

Imitation is another strategy for minimizing the risk of downside loss associated with new entry. It involves copying the practices of other firms in a perception to be in the safer side. Imitating some of the practices of the established firms can help the entrepreneur develop the skills necessary to be successful in the industry, rather than attempting to work out which skills are required and develop these skills from scratch. The best example of this strategy is taking Franchise. To survive in the market entrepreneurs, need to adopt risk reduction strategies so that they can stabilize their existence.

DISCUSSION

Everyone doesn't have that skill to recognize a distinguishable opportunity among this heavy competitive market. Entrepreneur is the one who possess such traits that he took initiative to not only grab and opportunity but also covert it to a revenue generation model.

The intensity of entrepreneurial activities is kept on decreasing and the distinctive hindrances coming in their work way is being discussed above. It is important for the entrepreneurs to overpower those constraints. They need to stay optimistic. Inspirational blogs, success stories, business articles etc. will help them a lot to gain positive energy. Entrepreneur should try to stay in contact with an implicit set of people through social media so that they can give critics.

CONCLUSION

Challenges which derails entrepreneurs and make them to rethink are initial funding, proper business location, constructing a good team, proper forecasting, making a healthy DPR, less knowledge about

marketing etc. The paper reinforces earlier research that getting fund at initial stage is the toughest hindrance compared to other.

To stimulate the growth of entrepreneurship it is necessary to take supportive measure by both Govt. and society. Raising capital will enhance only after a healthy ecosystem of angel investments and nascent stage VC funds. Capacity building support during the early phases will help to stabilize the business. Incubators are helping the entrepreneurs to gain momentum but lots of amelioration is needed.

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