

# **Entrepreneurship Challenges in Behavioral Economics Perspectives**

## **–Some Insights**

Dr. Naseer Mohamed Jaffer<sup>1</sup> Agnus Baby<sup>2</sup> Rashmi Shetty<sup>3</sup> Mr Mehraj Ud Din Bhat<sup>4</sup>

### **Abstract**

Most narratives on entrepreneurship developed under the mainstream liberal economics are based on the assumption that economic rationality on the part of entrepreneurs, big and small, would promote economic activity which would lead to economic development of countries. The assumption of economic rationality is seriously questioned by insights from the emerging field of behavioral economics. The present paper attempts to interrogate the assumption of economic rationality on the part of the prototypical entrepreneur and throws some light on the theoretical and policy implications of this exercise. Some of the important behavioral economic concepts are used in the discussion. Entrepreneurship challenges in developing countries like India may be analyzed in terms of ‘Easterlin Paradox’ also. Positional entrepreneurship is a new concept developed in the present paper on the basis of behavioral economics insights. The major thrust of the present paper is that the relevance and effectiveness of mainstream entrepreneurship narratives and training initiatives have to be questioned and skill development and formal sector employment initiatives should be given emphasis. At the end of the paper, policy implications and suggestions for further research are given.

**Keywords:** *Entrepreneurship Narratives, Behavioral Economics, Positional Entrepreneurship, Economic Development.*

<sup>1</sup> *Professor, Xavier Institute of Management and Entrepreneurship, Bangalore,*

<sup>2</sup> *Research Coordinator, Xavier Institute of Management and Entrepreneurship, Bangalore,*

<sup>3</sup> *Professor, R V Institute of Management, Bangalore*

<sup>4</sup> *Research Student, Xavier Institute of Management and Entrepreneurship, Bangalore.*

## **Entrepreneurship Challenges – Theoretical and Policy Implications in Developing Countries**

Entrepreneurship is a contentious attribute which theorists and practitioners confer on successful businessmen. Having done that, they go ahead to describe such successful individuals as entrepreneurs. These entrepreneurs, big and small, develop their businesses and in doing so they promote economic activity which leads to progress of the economy and society. Hence it is argued that entrepreneurs should be encouraged and entrepreneurship should be developed through training programmes including running incubation centers. This narrative involves several basic assumptions and these assumptions are seriously questioned in this paper. Insights from the emerging field of behavioral economics are used in this exercise. Alternative policy implications are mentioned at the end of the paper. Positional entrepreneurship is a new concept introduced in this paper to interrogate the mainstream narrative in the field of entrepreneurship development theory and practice. The paper is divided into four parts. In the first part a brief review of entrepreneurship as a distinct discipline emerging along with the growth of social sciences in the recent past is given. The basic assumptions of mainstream narrative of entrepreneurship are questioned with the help of insights from behavioral economics in the second part. In the third part positional entrepreneurship concept is explained along with the mention of policy implications. In the fourth part, the need for skill development and formal sector employment initiatives and thrust towards manufacturing sector growth are highlighted. Major interferences and suggestions for further research are given in the conclusion.

### **1. Entrepreneurship – Narratives in the Mainstream Liberal Approach**

With contributions from different fields like economics, sociology, social psychology and decision sciences, study of entrepreneurship is emerging as a distinct area of scholarship taught in institutions of higher education, both in India and abroad. Joseph A Schumpeter, who may be called the pioneer in the study of entrepreneurship and the role of entrepreneur in economic development, described entrepreneur as “the hero capitalist drama” (Schumpeter 1947). The source of profit was a contentious question for early economists. Adam Smith and other classical economists thought that profit was a deduction from value created by labour and capital. Karl Max called capital “dead labour” because all physical capital in the form of machinery, buildings, raw materials etc. were made by labourers in the past. In his view profit arises from surplus value which is unpaid labour. Schumpeter came forward with a wonderful answer for the question on the origin of profit. He said that profit did not arise from the exploitation of labour but through disruptions in a static economy made by innovations introduced by entrepreneurs.

In Schumpeter’s [1934] view capitalism moves forward not because of the bourgeois capitalist but because of the disrupter entrepreneur. There are five forms of innovation namely introduction of a

new product, introduction of a new method of producing existing product, a new form of business organization, a new source of raw material supply and a new market. Any change that brings an increase in profit can be called an innovation. However, Schumpeter [1947] was not very optimistic about the future development of capitalism. In his view innovation would slow down and disappear due to the growth of a critical frame of mind under capitalism. Capitalism emerges as an economic success but later it turns out to be a sociological disaster. Everything would be standardised under mass production and creativity would be lost as people become more rational and less creative. The fact of economic history, however, is that capitalism did develop and does develop even though the number of Schumpeterian entrepreneurs is falling over the years.

A brief account of contributions of other major thinkers in the field of entrepreneurship is necessary in order to place our discussion on positional entrepreneurship in the proper perspective. Harvard University psychologist David McClelland introduced the concept of n-Achievement to measure achievement motivation of individuals and groups which get reflected in business success and economic growth. He and his team of researchers could find positive correlation between high n-Achievement score of a community or nation and economic progress. This and similar findings led McClelland to the conclusion that if a country wants to accelerate economic growth, it is necessary first to change motives, values and priorities of its people. The basic assumption here is that entrepreneurship is an engine of economic growth and that certain psychological pre-conditions exist to promote entrepreneurship among individuals. Prof. Everett Hagen (1962) has given a theory of the transition to economic growth based on sociological and psychological factors of positive motivation. His theory highlights a kind of psycho-sociological dualism between a traditional peasant society and a modern technological progressive society. The most important difference between the two is motivation. In technologically progressive society there is high need autonomy (need to be independent of others' influence) and high need – dominance (need to be a leader of others) is contrast to peasant society in which there are high need affiliations (need to please others) and high need – dependency (need to always depend on others). According to Hagen, lack of Schumpeterian entrepreneurship in peasant society is the result of the differences in motivation and value systems.

Culture is acquired knowledge which influences how people think and behave and culture plays a crucial role in the growth of entrepreneurship, according to a few influential thinkers. Hofstede (1991) has given an influential theory, on the basis of his survey of 1,16,000 employees from 70 countries, that there are five dimensions of culture which explain entrepreneurial activity and economic progress in different countries. These dimensions are power distance, uncertainty avoidance, individualism, masculinity and time orientation. Differences in entrepreneurial activities

among different communities and countries may be understood and explained in terms of Hofstede's dimensions mentioned above. Masculinity is defined as a situation in which the dominant values in a society are "concern, money and things" and femininity is defined as a situation in which the dominant values are "caring for others and the quality of life". Another researcher Fons Trompenaars (1994) explains five relationship orientations and their impact on entrepreneurship activities in different cultures. These relationship orientations are universalism vs particularism, individualism vs communitarianism, neutral vs emotional, specific vs diffuse and achievement vs ascription. Trompenaars also explains four organizational cultures in MNCs namely family culture, Eiffel tower culture, guided visible culture and incubator culture. On the basis of his empirical study Trompenaars says that India is high in family culture and the USA is high in incubator culture.

Experts with different academic backgrounds have made extensive contributions to the understanding of entrepreneurship and its impact on the economic progress and social transformation. Theories and concepts used in disciplines like economics, sociology, psychology, engineering, management and decision sciences are used in this exercise. In recent years the focus is increasingly on small business activity and performance especially in developing countries. The question why entrepreneurial activity thrives in one culture and region and not in another culture and region is addressed by the researchers taking insights from various academic fields. The role of innovation in business success is given special emphasis in these studies. There are significant studies made, for example, by Collins and Moore (1979) Kirzner (1973) Leibenstein (1978) Drucker (1985) Timmons (1989) Manimala (1999) Koeppe (2002) and Bornstein (2007). There are scholarly articles published in specialized journals like *Journal of Business Venturing*, *Journal of Small Business Management*, *Creativity and Innovation Management* and *International Small Business Journal* in addition to other management journals which devote special issues on entrepreneurship themes. As the result of these efforts, entrepreneurship is emerging as a separate academic field even though it is yet to get established as an independent discipline in Indian universities and institutions of higher education. Insights on entrepreneurship from the emerging field of behavioural economics are briefly reviewed in the next section.

Entrepreneurship is one of the most popular topics of public discussion. According to one estimate there are about 37 crore references in the Google about entrepreneurship, which is more than the number of references on 'nationalism', 'secularism' and 'intolerance' (the terms very much used in debates in India today) put together. Many people think that entrepreneurship can transform a country from poverty to prosperity. Sometimes it is almost taken for granted that a country is less developed because it is less entrepreneurial. Schumpeter, for example, argues that entrepreneurs are

the dynamic force behind the progress of an economy and society. Hofstede and Trompenaars discuss how a cultural transformation may be needed in order to make individuals and organizations more entrepreneurial, more successful and more prosperous. Many other management thinkers also emphasize the crucial role of entrepreneurs and the social, cultural and psychological factors which contribute towards growth of entrepreneurship in a society. These arguments are, in a broad sense, based on the assumptions of economic rationality and maximising behaviour on the part of economic agents. These assumptions are seriously questioned by practitioners of behavioural economics. A brief account of this interrogation of these assumptions is presented below.

## **2. A few Behavioural Economics Insights**

Economists in general make a strong claim that the concepts and theories of economics have universal validity and application in all places and varied issues. Other social sciences generally make only humble claims that under particular situations certain theories will explain reality. Further economic variables are capable of precise measurement and quantification for the purpose of analysis. Mathematical and statistical techniques are extensively used in economic analysis. The two key premises are that economic agents always try to optimise the outcome of their efforts and to arrive at a point of equilibrium. One can make a simple generalization, namely optimization + equilibrium = economics. These basic premises are seriously questioned by behavioural economists. A number of theorists have contributed to develop this alternative analysis of socio-economic reality.

Behavioural economics developed as a distinct branch of economic analysis mainly due to the pioneering works of Herbert Simon, Daniel Kahneman and Amos Tversky. Herbert Simon's book *'Models of man, social and rational: mathematical essays on rational human behaviour in a social setting'* (1957) and his concept of 'bounded rationality' influenced other pioneers to work on behavioural aspects of economic actions. Kahneman introduced 'Prospect theory' in his famous paper "Prospect theory: An Analysis of Decision under Risk" published in *Econometrica* in 1979. Prospect theory breaks from the traditional view that a single theory of human behaviour can be both normative and descriptive. Later Amos Tversky and Richard H Thaler joined with him and published significant papers in economics and business journals. Some of the important behavioural economics concepts and theories such as endowment effect, loss aversion, status quo bias, fairness, anchoring and availability heuristics were developed by these pioneers. Daniel Kahneman's major books are "*Choices, values and frames*" (2000) and "*Thinking fast and slow* (2011)". Richard Thaler's book "*Nudge: Improving Decisions about Health, Wealth and Happiness*" (2009) gives the famous example of a 'nudge' that proved successful in Schiphol International Airport in Amsterdam. A nudge is a small feature in an environment that attracts one's attention, influences

one's behaviour and leads to a distinct outcome. A nudge is necessary for ordinary humans but not necessary for an 'economic man' an imaginary rational being assumed in traditional economic theory. It is the challenge and responsibility of policy makers to devise effective nudges to bring about desired results. Robert Shiller's influential book '*Irrational Exuberance*' (2000) also contains valuable insights, especially on the behaviour pattern in financial sector of the economy.

In the entrepreneurship narrative, big names like Thomas Edison, Bill Gates, Steve Jobs and Narayana Murthy appear to influence and inspire individuals, especially the young to venture into business and achieve personal success and contribute to country's progress. A conventional wisdom has developed over the years in the academic circles that a country's development depends, to a large extent, on the number of entrepreneurs the country produces and the degree and quality of entrepreneurship displayed by the entrepreneurs of the country. This conventional wisdom has a huge impact on policy makers at different levels. Incentives of various kinds like tax concessions, grant of land at subsidised prices, technical advice, marketing assistance and concessional finance are provided to prospective entrepreneurs. Entrepreneurship training or development programmes and incubation centres are some of the other initiatives. The basic assumption of these exercises is that developing countries like India, lack entrepreneurship and by promoting entrepreneurship skills in individuals, the country can experience rapid economic progress. This assumption is seriously questioned in the context of our discussion on insights from behavioural economics.

Contrary to general perception promoted by mainstream entrepreneurship scholarship, people living in developing countries like India display a fairly high degree of entrepreneurship. This is especially so in the case of poor people. Poor people in poor countries have to remain entrepreneurial in order to make both ends meet. They have to sell something or other to get money to survive. They sell their labour time but unfortunately nobody is prepared to pay a reasonable price for their effort. They have to sell something in order to survive. Tribal people, for example, sell forest products to survive. On the streets of Indian villages and small town's men, women and even children sell all sorts of things to make a living. Discarded things, old clothes, old newspapers, plastic covers, milk bottles etc. are all bought and sold. In railway stations, people 'reserve' seats in train compartments by placing a towel and 'sell' the seat for a small sum of money to train passengers who could not reserve tickets. Any open place in a street corner is "owned" and then "rented" out to make a good amount of money. Even beggars in public places have to pay a sum of money to one who claims to control a particular area. One finds a "rent seeking" society where entrepreneurship flourishes at different degrees of moral standards. There are business schools which "sell" MBA seats to parents of students and ironically entrepreneurship is taught as a subject to the students. Private medical colleges are famous for their collection of huge sums of money to offer medical admission to

students. In advanced countries, one has to make special efforts to become an entrepreneur. On the other hand, in developing countries one has to be some sort of an entrepreneur in order to make a living.

One may wonder why in spite of so much entrepreneurship talent available and displayed, countries remain so poor and underdeveloped. The reason is economic backwardness is a structural problem of the economy and society in poor countries. Advanced technologies, modern organisations, efficient institutions and well developed physical infrastructural facilities are not available for all people. Individuals who are fortunate to get access to these advanced facilities and display entrepreneurial talents become successful in business and contribute to economic progress of the country. A large number of professionals like IT engineers, accountants, lawyers etc work in big corporates and thereby get a decent compensation and fulfil other peoples' entrepreneurial dreams. But this number is only about eight per cent of the labour force. The remaining ninety-two percent work in unorganised sector with low wages and poor working conditions. A large percentage of these workers are miserable and they may be called the working poor. They remain poor in spite of working somewhere. The political nature of the free market system is such that neither their work gets a reward according to its productivity nor the products which they manage to produce and sell get a reasonable price. However, they are very entrepreneurial. The talent they display is called 'positional entrepreneurship' in this paper. The nature of positional entrepreneurship, how the people who display this attribute can be helped to improve their condition and how their progress will lead to development of the country are explained in the third part of the paper.

### **3. Positional Entrepreneurship**

In literature, one comes across characters in dramas, and novels that are heroes but display "unheroic" and sometimes "anti-heroic" activities. For example, the hero of Emily Bronte's only novel *Wuthering Heights* is Heath Cliff but his unheroic actions put Catherine in great difficulties. A better example would be Shakespeare's *Macbeth*, and A.C Bradley writes about the fall of Macbeth in the following words, "his death was not a tragedy, but his life was". There are several other examples of a hero who is not heroic. In our present study, we have 'positional entrepreneur', who is very entrepreneurial in his activities but as the result neither his economic condition improves nor the country experiences development.

It is necessary to differentiate positional entrepreneurship from non-positional entrepreneurship. In most entrepreneurship studies it is the non-positional or absolute entrepreneurship is given focus. Absolute entrepreneurs and relative or positional entrepreneurs are two different economic agents with different motivations, priorities, orientations, performance achievements and impacts on the

economy. Entrepreneurship in the absolute sense is displayed by individuals with exceptional abilities and opportunities. Traditionally an entrepreneur is one who performs certain important functions. These are decision making, introducing successful innovations and risk taking. These functions he performs with exceptional efficiency. He disrupts the static economy by introducing dynamism and this is the main reason for profits to arise. This narrative is a familiar one and it does not need elaboration. The focus of the present paper is on positional entrepreneur.

Positional entrepreneur is one who becomes an entrepreneur by default. He runs his business with low technology, little innovation and no big future in his mind. His prime concern is to make a living and show to his immediate family members and community that he is not a failure. Therefore, high sounding phrases which surround entrepreneurship do not inspire him. E.F. Schumacher (1989) described poor people in developing countries, as “survival artists”. He popularised the concept of ‘appropriate technology’ and in fact, romanticised the small business activities in poor countries. Influenced by Mahatma Gandhi, he argued that prosperity in the real sense would be achieved when local materials were used by local talent to meet local requirements of ordinary people. One of his famous statements was “any intelligent fool can make things bigger, more complex and more violent. It takes a touch of genius-and a lot of courage-to move in the opposite direction”. A positional entrepreneur is as intelligent, smart and hard working as a prototype entrepreneur described in management textbooks. However, he remains poor most of the time. His competitors, suppliers and customers are no different from him. A positional entrepreneur positions himself or herself in the local context.

Entrepreneurial success is relative and not absolute. Contexts matter. Entrepreneurial outcomes, both monetary and non-monetary are valued on a relative basis. Adam Smith’s famous ‘invisible hand’ theorem does not hold good in poor countries. His celebrated statement was “we expect our dinner not because of the benevolence of the butcher, baker or the brewer but because of their regard for their own self-interest”. The butchers and bakers of Indian villages, for example, are directed more by customs, traditions and habits than by self-interest. A village woman whose sister’s husband is running a tea shop but not her husband, is more likely to start a tea shop herself, in another street corner near her house, than other women in her neighbourhood. If a business man runs an engineering college in the name of his first wife, his second wife will pester him to start a business school in her name. There are plenty of examples to show the prevalence of positional entrepreneurship at different levels of economic activity.

Positional entrepreneurship can be explained also in terms of certain concepts developed in behavioural economics. For example, there is an ‘anchoring effect’. Decisions frequently depend on the context and information available. Anchoring refers to the tendency to rely on one prior



(suggested/perceived) piece of information when making a decision. This can be explained with an example. In batch 20, section A of PGDM class one experiment was conducted. The results proved the existence of anchoring effect. A faculty (one of the authors of the present paper) asked the students to write down the last two digits of their mobile phone numbers in a piece of paper. Then the faculty displayed his wrist watch and said that he was to sell the watch and his expected price was rupees hundred. He asked the students to write down the amount of money they would be willing to pay for the watch if they get a chance to buy it. A comparison of these amounts was made. It was found that by and large, the students who had relatively large number as the last two digits of their mobile phone numbers (for example 99, 98, 89, 88 etc.) had offered relatively bigger amounts for the watch and vice versa. A related concept is availability heuristics and it explains how rationality assumption is not very helpful in explaining human behaviour in several situations. Suggestions and opinions given by people who matter have big impact on decision making in general and positional entrepreneurial decision making in particular.

Another insight is endowment effect. In one class room experiment, half of the students were given a free marker by the faculty and the other half got nothing. Students with the marker were asked the price at which they would sell it back to the faculty and the second group was asked the minimum amount of money that they would accept in lieu of the marker. The decision to be made by the two groups was similar. But the reference point was different. For the first group whose reference point was possession of a marker, the average selling price was rupees seven. For the second group which did not have the marker, the average amount desired in lieu of the marker was rupees three. This gap in prices shows that giving up the marker is perceived to be a greater “loss” to those who have it than the “gain” from obtaining a marker for those without a marker. This kind of endorsement effect one can identify in the case of positional entrepreneurship also. For example, in villages and small towns, one can see old hotels and photo studios with little business which refuse to get closed down. In such establishments sound business principles do not apply. The context, nostalgia, tradition and position alone matter. There is a tendency to romanticize the past, fantasize the present and trivialize the future in the case of positional entrepreneurship. It means that economic rationality and efficiency considerations are not given importance in decision making. Such entrepreneurship challenges are not sufficiently addressed in mainstream narratives.

This brings us to a brief discussion on the relationship between income and happiness. There is an ‘Easterlin paradox’ which says that contrary to general perception, the relationship between income and happiness is not direct. Richard Easterlin (2001) argues that the relationship is culture specific. He quotes an empirical study to show how the relationship is puzzling. Households are divided on

the basis of income and at the top there are households which get dollars seventy-five thousand and above and at the bottom there are households which get less than dollars ten thousand. About sixty-two percent of the poorest, said that they were pretty happy while the percentage was only forty-nine among the richest. In the Indian context the gap could be wider. The parameters of business success and happiness have to be very different in the Indian context especially because of the prevalence of positional entrepreneurship. There are limited horizons. In view of these facts, policies should be framed accordingly. A few suggestions are mentioned in the conclusion.

Positional entrepreneurs explained in this paper are those who become 'entrepreneurs' by default. They are not meant to be entrepreneurs as they do not display the basic attributes of a prototype entrepreneur namely economic rationality and efficiency in decision making. They are caught in a 'low level equilibrium' trap and they do not know that they are inside such a trap. Their talent may be called 'pointless entrepreneurship' because they do not add value in a substantial way. Increase in the number of 'positional entrepreneurs' may not lead to economic development of the country. On the contrary it may distort the economic activity and generate waste of scarce resources. It would be good for the economy when the number of workers with necessary skill who take up formal jobs increases. Pulling a large number of people from the category of positional entrepreneurs would be possible when formal manufacturing sector develops and skill development initiatives through training happen.

#### **4. Skill Development and Formal Sector Employment Initiatives**

Most entrepreneurship narratives in the main stream liberal economic paradigm argue that economic development of a country depends on the number of entrepreneurs operating the country's economic activity. The relevance of this narrative is seriously questioned in this paper which uses insights from behavioural economics. The implication of this discussion is that alternative ways to develop a country's economy have to be explored. A promising alternative way is placing the focus on skill development and formal sector employment initiatives. Skill development is a key strategy to realize the full potential of the young workforce of India. According to a report, the participation of formally trained workers in the total workforce in India is only 4.69 percent while it is 75 percent in Germany and 96 percent in South Korea (*Mint 2018*). The gap between academic training and employment should be reduced. The National Skill Development Corporation (NSDC) has been recently restructured to enhance skill development initiatives. About 92 percent of India's work force is in informal employment which lacks mostly minimum wages, job security and social security facilities (*Business Standard 2018*). This situation has to change.

The major thrust of the present paper is on the view that economic development of a developing country like India would happen through skill development and formal sector employment initiatives rather than through entrepreneurship training programme and incubation experiments. A developing economy is caught in a 'low level equilibrium' trap. It needs massive investment to develop physical infrastructure facilities through which large scale industrial development would take place. However, the trends reported in recent times are quite disturbing. In India, for example, women participation in the labour force has been low and falling in recent years. In rural areas, it fell to 14.4 percent in 2016 and further to 12 percent in 2018. In urban areas it fell from 16.4 percent to 11 percent during the same period (*Business Standard* 2018). There is a mismatch between growth of the economy and growth in employment in India. For example, during 2015-16 the economy grew by 8.2 percent but employment in large listed companies increased only by 0.4 percent. In fact, several large companies shed thousands of jobs when the economy was experiencing a decent GDP growth. For example, Vedanta shed 49, 741 jobs, SAIL shed 30, 413 jobs, Fortis Healthcare shed 18000, Aegis shed 13, 631, BSNL shed 12, 765, IOC shed 11,924 and Tech Mahindra shed 10, 470 (*Business Slandered* 2018). A recent study by Azim Premji University team mentions increasing divergence between growth of the economy and growth of jobs in organized sector over the years. During 1970's and 1980's, when the GDP growth was 3-4 percent, employment growth was about 2 percent. In recent years, for example, between 2009 and 2017, the ratio of GDP growth to employment growth is less than 10:1. It means a 10 percent increase in the GDP leads to less than 1 percent increase in formal sector employment (*The Hindu* 2018). This is quite disturbing.

This trend seems to be a global one. The phenomenon of Great Decoupling is being discussed in recent times (Brynjolfsson, Eric and Andrew MacAfee, 2014). There are a few mismatches among the four key indicators of progress of an economy, namely per capita GDP, labour productivity, number of good jobs and median household income. During the three decades after the end of the World War II, in the US and other developed countries, all the four indicators of progress mentioned above increased more or less in a similar way in the same direction. However, since 1980's the median household income showed either stagnation or a slight fall and the growth of good jobs (formal sector employment) slowed down. During the same period, ironically per capita GDP and labour productivity showed decent rates of growth. This phenomenon is called the Great Decoupling. Experts say this is mainly due to automation and augmentation processes which disrupt economy and society. It is observed that this trend is as fundamental as it is overlooked. This is reflected in the fall in labour's share of GDP in most of the countries. Corporates are shifting investment away from labour and towards capital. A large part of the capital goes towards R & D efforts to develop technologies which assist efficient automation and effective

augmentation. In the ‘winner – takes – all’ world, capital and highly skilled labour join hands at the top (Stiglitz, Joseph, 2015). Workers are being made to create more value through advancement in technology and management techniques. Instead of shared prosperity, there is increasing inequality. Real wages remain stagnant or fall and good jobs disappear. This is the crux of the problem.

The question of structural change in the Indian economy has been debated. Shifting output share and employment share away from low productivity agriculture has been a challenge. India, along with a few other developing countries, has been deviating from the typical Kuznets’ (1966) pattern in the sense service sector instead of manufacturing sector takes the lead in shifting labour out of agriculture. Economists have been debating whether manufacturing sector or service sector should be developed more to create jobs for people who are shifted from agriculture (Green Russell, 2019). Similarly, there is a debate whether entrepreneurship (self-employment in small scale sector) or formal sector employment should be encouraged. (Goldar, Bishwanath, 2014). India, a country with 1.3 billion people with a distinction of being the fastest growing major economy of the world, has the median age of 28 which means a huge demographic dividend. About 10-12 million young people enter job market every year. Should these young people become ‘positional entrepreneurs’ and get caught in a ‘low level equilibrium’ trap as explained in the paper or become formal sector employees with decent wages and some social security protection is the question in the present context. Reports say that efforts are being made to bring an Act to empower the central government to fix and implement minimum wages for all sectors nationwide (*Financial Express* 2018). Initiating an East Asia style manufacturing boom to achieve output and employment growth and making skill India project a success through joint efforts by government and corporate sector should be high on government’s priority scale.

## **Conclusion**

Entrepreneurship training programmes and business incubation efforts have to be renewed in the light of widespread prevalence of positional entrepreneurship in developing countries like India. It may be mentioned that there is no lack of entrepreneurship even in the most backward villages of the country. People are hardworking and enterprising, but the opportunities and reward systems are missing due to inadequate institutions, lack of physical infrastructure and general poverty of collective economic structure. The time, effort and money spent on entrepreneurship training, motivation campaigns and business incubation may more wisely be spent on vocational training and skill development initiatives. Both at the individual and social levels, it is better to be a relatively well paid employee of an establishment of the organized sector of the economy than being a positional entrepreneur in the rural and urban areas of the country. Behavioral economics concepts

explain the existential entrepreneurship challenges in developing countries like India. Generating good jobs in organized manufacturing and service sectors of the economy and organizing massive training programmes for workers to make them ready to take up such well-paid productive jobs should get top priority in order to achieve economic development. The vision of 'Make in India' which includes objective of increasing GDP share of manufacturing sector to 25% and creating 100 million additional formal sector jobs by the year 2022 will go together with successful Skill India project and enactment and implementation of national minimum wages in all sectors of the economy. However further research and analysis are needed in this exciting area of study.

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