



The Role of Economic Capital in Dearth of Entrepreneurship in Kotli Azad Jammu and Kashmir

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ABSTRACT

This study investigates the factor capital which leads towards the dearth of entrepreneurship. Micro and macro enterprises play an important role in the economy of any country, but in Kotli Azad Jammu & Kashmir these enterprises are rare. This research was conducted through a self administered questionnaire. The sample size for this study was 100 and these organizations were facing the problems of entrepreneurial dearth. Data collected through questionnaire were statistically analyzed, correlation was used to test the research hypotheses. This study provides valuable insights that, one of the main reason of dearth of entrepreneurship is lack of capital. Many entrepreneurs faced lot of problem in accessing the finance through financial institutions. The significance of this research study lies in the fact that it fills an important gap in the literature, offering a deeper understanding of how the access to capital affects the entrepreneurship in Kotli AJ&K. Future researchers can conduct similar studies on other sectors in Kotli AJ&K and findings of this research study can be incorporated in entrepreneurship policies and guidelines.

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Introduction

For starting the new business it is important to have capital and financial source. Entrepreneurial growth and development largely depends on access to external finance. This enables entrepreneurs to manage their business successfully and to reach their full prospective of enhancing household welfare and creation of the opportunities of employment. Entrepreneurs in Kotli AJ&K are facing many constrained in access to formal bank credit. Lack of access to finance is due to many factors such as unfair attitude of financial institutions and the lack of market information about the entrepreneurship at recognized financial institutions. This study was specifically conducted to find out how unavailability of capital causes entrepreneurial dearth in Kotli AJ&K.

According to Oluwasanya (2011), a person is called an entrepreneur when he is in a position that possesses the ambition, innovativeness, determination and has ability to resolve the tradition barriers, has the ability to create the new ideas in existing business. The entrepreneur is that who explore the opportunities of market with the help of organizational or technical modernization (Schumpeter, 1965). Entrepreneur as individual regularly generates and innovates to build some degree of predictable value about professed opportunities (Bolton and Thompson, 2000). The creative thinking of a person who is able to establish the economic and social mechanisms to change the situation and resources to practical account and that person accepts the failure and the risk is called an entrepreneur (Hisrich, 1990). Various meanings are involved in the word "entrepreneur" passing through the meanings from musical instruments in France and to economic segments and to military expeditions (Cochran, 1950).

Entrepreneurship is the practice of beginning a new business, organization or refreshing mature organization and a number of opportunities are identified due to new business

(Onuoha, 2007). It is risk taking process according to (Knight, 1921) and (Drucker, 1970) and it is about the occupations that are performed by an entrepreneur which establish the business or small firm (Khanka, 2002). Here, it is simply the process of innovating something new or creating new products and services and the threats and rewards (Peters and Hisrich, 2002). An entrepreneur during the entrepreneurship faces the numerous different challenges and these challenges are favorable or unfavorable.

This study investigates the factor capital which leads towards the dearth of entrepreneurship. Micro and macro enterprises play an important role in the economy of any country, but in Kotli Azad Jammu & Kashmir these enterprises are rare. This research was conducted through a self administered questionnaire. The sample size for this study was 100 and these organizations were facing the problems of entrepreneurial dearth.

This study provides valuable insights that, one of the main reason of dearth of entrepreneurship is lack of capital. Many entrepreneurs faced lot of problems in accessing the finance through financial institutions. The significance of this research study lies in the fact that it fills an important gap in the literature, offering a deeper understanding of how the access to capital affects the entrepreneurship in Kotli AJ&K. therefore, the main purpose of present research study was to explore the role of capital and financial institutions in entrepreneurial dearth in Kotli AJ&K. In order to realize the purpose of study, the researchers formulated following research objectives. First, to explore whether, capital is main factor which cause the entrepreneurial dearth in Kotli, second to explore that the financial institutions of Kotli are providing required funds to entrepreneurs in Kotli AJ&K. Third, to explore that the entrepreneurs of Kotli AJ&K needs to explore the funding opportunities.

In order to achieve above research objectives, present study designed following research questions. Firstly, whether access to capital is the main factor which causes the dearth of entrepreneurship in Kotli AJ&K? Secondly, to what extent financial institutions of KotliAJ&K are successful in providing required funds to entrepreneurs in Kotli AJ&K? Thirdly, whether an entrepreneur of Kotli AJ&K needs to explore the funding opportunities?

Literature Review

Capital is one of the most important macro factor of entrepreneurship, without capital one cannot start his or her own business. Capital allows the individuals to bring all the important entrepreneurial factors and entrepreneur use these factors to produce goods and services. An entrepreneur spends his or her capital and takes risk for benefit. For the establishment of new business it needs to finance then it will give you return later. Many people do not start their own business because the lack of financial resources. These people do not have financial opportunities to access the capital (Guiso et al. 2004).

In the subsequent economic growth the entrepreneurship plays a central role in involving a country's financial market development (King and Levine, 1993). Their work on financial market gives importance to the role of finance in Schumpeter's "Creative Destruction". An entrepreneur has using the old technologies, techniques and ideas by replacing it with new ideas and technologies due to this an entrepreneurs increases the productivity and also increases the economic growth. The entrepreneur who cannot follow the new tools, technologies and techniques not succeed to establish the business. For the development of institutional and financial sector that was simply followed by economic growth and Joan Robinson and others put into view in these differences. Due to the high level of entrepreneurship in any country elevate the economic growth definitely. Here, giving the importance to this idea is a conception that due to increases the productivity of the firms may enhance the economy of the country and closure of unproductive firm instead of that the birth of new firms and those firms are more productive and will help economic growth. Since starting the new business its needs for capital it's also needed to raise the capital for implementing their ideas(King and Levine, 1997).

The ability of financial market by cross-sectional differences is to select the capable entrepreneurs and finance them that may lead to the important modifications in private enterprise and the output growth that across the economy (Beck et. al., 2000; Greenwood and Jovanovic 1990; Guiso et. al., 2004; Jayaratne and Strahan 1996; Levine 1997). However, There are less resources of capital according to past research and hence negatively impact on productivity growth. The ability of entrepreneurs to raise the necessary resources for their business is the depth of the local capital marketplaces are maybe the most important factor. This profundity is due to a natural preliminary point for assessing the financial market progress designed to finance the innovative business.

In this study included the example of past researcher Rajanand Zingales(1998) illustration that manufacturing sectors need for external finance development quicker in countries with deeper capital market. The new industry or firm will struggle to disabling weaknesses in the development of financial market the established firm or industry that was able to using the trade credit as an additional for formal financing (Fisman, 2003). According to Coming and Nanda (2009) demonstrates that the many difficulties have been tackled by startups in raising the finance to capacity to adversely affect the commercialization of innovative expertise. Using the historic data proceedings the

development of banking sector and technology distribution and the novelty that capital-intensive skill that were approved much faster virtual to less capital-intensive skills in countries over a certain expansion in the development of the banking sector.

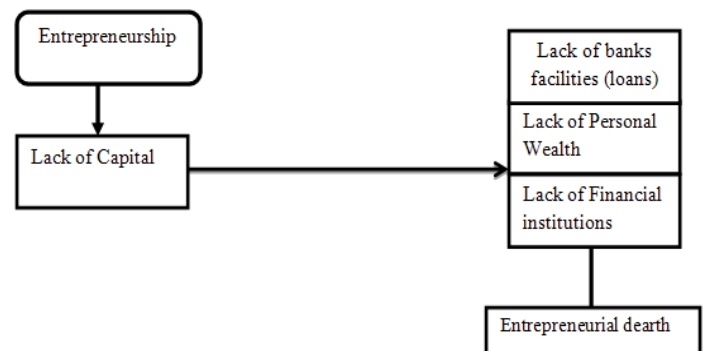
In a country the law of securities and financial system depended by the entrepreneurs that lending financial intermediaries. The suggestions of La Portaet. al., (1998) and Beck et. al., (2001) are that an associations among the permitted backgrounds of commercial market laws across the states and relay them to the unit of the protection of investors and financial intermediaries has the capability to increase and lending the capital. According to Paravisi (2008) illustrations that, in the perspective of Argentina, banks faced many resistances in their access to external supporting and these resistances avoid them from enterprise profitable investment opportunities in the actual economy. In India the lending program directed by the finding of Duflo and Banerjee (2008). Through the properties of financial market complexity, it principally severe in emerging markets and in these event startup in progressive economies are not immune. Here is an example of White and Berkowitz (2004) was found that an entrepreneur remains less prospective to get recognition for the startup in U.S. and for these startups need stronger liquidation protection for individuals. The startup fails when the bank less confident of improving their loans in the event and they were less expected to cover credit to begin with.

According to Guisoet. al., (2004), the domestic difference in the facility of credit providing to the individual in the state of Italy and their finding about origin Italy was that it is well-developed and cohesive financial market that has deeper capital market which promoting the entry and progression of new businesses and increases the tendency of persons to initiate the new job. Since starting the new venture it has been important for entrepreneurs to gets loan from local financial institutions and it also sufficient for financial market to provide loan to the local ventures. The domestic investment market alone may not be able to improve the financial limitations for startups. Access to local finance is important to give the impression equally applicable for venture capital financing same like for bank financing. Stuart and Sorenson (2001) examine that venture capital is likely to those which provide funds to entrepreneurs situated within a short geographical distance from where they are established.

H1: Lack of Capital is positively and significantly related to dearth of entrepreneurship

Conceptual Framework

The focus of this study is to examine the relationship between the capital and the entrepreneurial dearth.



Methodology

The study used the quantitative approach. The data strategy involves the research paper, research design and development of instruments, data collection and management and data analysis methods.

Table 1. Correlation

Lack of Capital	Entrepreneurial Death
Pearson Correlation	.308**
Sig. (2-tailed)	.008
N	73

Table 2. Regression analysis of lack of Capital and Entrepreneurial Death

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics						
					R Change	Square Change	F Change	df1	df2	Sig. Change	F
1	.308 ^a	.095	.082	.32251	.095		7.435	1	71	.008	

a. Predictors: (Constant), Lack of capital

Anova ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.773	1	.773	7.435	.008 ^b
	Residual	7.385	71	.104		
	Total	8.158	72			

a. Dependent Variable: Entrepreneurial death
b. Predictors: (Constant), Lack of capital

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.439	.330		10.416	.000
	Lack of capital	.220	.081	.308	2.727	.008

a. Dependent Variable: Entrepreneurial death

Data design includes the plan about the data that what data were gathered, from whom to collect the data, how and when to collect the data and this also includes how to analyses the data. Each question included in the questionnaire of this research study was based on the perception learnt from the literature review, field experts, ideas and experience. The sample size selected for this study was 100. From selected district Kotli, the numbers of participants selected were proportionate to its population to the overall population of all selected towns and small cities in the district. For each small city and town, random sampling was used. The unit of analysis was an organization i.e. private school, parlours, cloth house (boutiques) and a hotel in kotli city. The respondent's rate was 73%. Both female and male parlours were included in this study and hotels in which numbers of employees were less than ten.

Findings and Results

The purpose of this research study was to measure and explore that lack of capital is related to the entrepreneurial death in Kotli. For this, research was conducted from initially primary level to onward and finally gathered data was tested through the data analysis software SPSS. The questionnaire consists of 13 instruments which measured through 1-5 Likert scale. The relationship between the lack of capital and the death of entrepreneurship is ($r=0.308$), which is associated positively and significantly at ($p<0.01$). This shows that there is significant and positive relationship between the lack of capital and death of entrepreneurship. It shows that the unavailability of capital is related to the lack of entrepreneurship.

The value of R square 0.095 shows that 9 percent variation in entrepreneurial death is due to lack of capital. F statistics were carried out to find the overall strength of the model. The value of F (7.435) shows that the model possess overall strength. This ensures the correctness of the model. On the basis of model β

coefficient the model shows that the capital describes that the unavailability of capital 30 percent increase in entrepreneurial death and value is significant. So, H1 is accepted "Lack of capital is positively and significantly related to entrepreneurial death".

The finding reveals that the value of β coefficient was 0.308 and it was highly significant. On the basis of model β coefficient the model shows that the unavailability of capital 30 percent increase in entrepreneurial death and value is significant. This value shows that the relationship between the entrepreneurial death and lack of capital. These findings are similar to previous studies (Yusuf, 1995; Pratt, 2001; Viviers et. al., 2001; Charles, 2008; Roberston et. al., 2003).

Conclusion and Recommendations

The finding from this research provided the information which is necessary to answer the research questions. Capital is one of the most important factors and due to lack of capital the entrepreneurship is highly affected. According to results in districts Kotli, many businesses are failed due to lack of capital. This research study was conducted according to a set of assumptions, scope and limitations. These results are recognized based on certain statistical tools and these findings may be different if other similar tools are used for the same sample.

This research study provides the awareness in specific areas of AJ&K. These areas of study were private schools, cloth house, beauty parlours and hotels. The analysis was mostly descriptive and broad generalization for the entire service sector was unfortunate from such a small and selective sample. According to this analysis the results and conclusion provide the implications and recommendations. It is essential to access the capital in the proper way to run the business. For entrepreneurs develop the curriculum with theories and exercise on micro and macro factors. Provide the awareness among the family

business owner to share the opportunities with other growing entrepreneurs. These families that have their own business are the biggest source of entrepreneurship venture. Develop the financial institutions that provide the loans to entrepreneurs for starting and maintaining the business. (Benzing&Callanan, 2005; Bruce &Daun, 2008; Chu, Bensin& McGhee, 2007)

Limitation of the Study

All research work in social sciences suffers many limitations and it is important that those limitations be mentioned in the beginning. Language barrier, some contributors required translation of question in their local language and there might be weak to translate the fundamental meaning of the question into local language. For data collection only mention technique was used, i.e., questionnaire would have been applicable for data collection. The quantitative nature of the survey; the quantity survey design relies on number, statically analysis and interpretation logic to evaluate human behaviour.

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