
Entrepreneurship foster by Insurance W.R.T India.

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ABSTRACT

This paper applies the approach of relationship between entrepreneurship and insurance and it develops a theoretical framework and a testable hypothesis to verify the impact of insurance coverage on entrepreneurship. Presently Government of India has been seriously worried about start ups. But on the other hand professionals scared on entrepreneurship. Because they unable to figure out their entrepreneurial risks. The relationship between insurance and entrepreneurship is tested with panel data from Jharkhand (India). The findings indicate that policy makers should pursue the development of insurance markets to strengthen entrepreneurship and spur economic growth. However, insurance markets are not well developed in the Emerging Market Economies also called emerging/developing countries like India where individuals are less likely to insure their wealth; and insurance is not available for entrepreneurs (start-ups and small businesses) at affordable rates. The limited availability of insurance in the emerging market countries fails to decrease the level of uncertainty and reduces the chances of people starting up a business, thus slowing down economic growth. In case of insurance failure .Our results demonstrate that these types of subsidies also increase entrepreneurial activity, thereby fostering creative destruction in affected industries. The study opens up a number of opportunities for future work and research.

Key Words: *Entrepreneurship, Insurance, Start-ups, Entrepreneur risks.*

INTRODUCTION

Entrepreneurship reflects risk taking ability of a person in professional manner or how you minimised your risk by the use of 4M means – Machine, Materials, Men and Money. Entrepreneurship is creative ability of any individual and it foster to create job opportunity, growth of country economy and welfare of our society. From the day an entrepreneur starts a business, he exposes himself to certain risks. Even before the first employee is hired, a business is at risk, making it important to have the right insurance in place. One lawsuit or catastrophic event could be enough to wipe out a small business before it even has a chance to get off the ground. Fortunately, businesses have access to a wide range of insurance types to protect them against these dangers. Here are some insurance types that a business must have in place as soon as possible. Entrepreneurship, including self-employment, results from risky occupational choice by individuals. The theory of entrepreneurship goes back at least to Knight (1921) who viewed entrepreneurs as ultimately bearing the economic risk of failure. After a long depression on this matter, the economic profession reintroduced the role of entrepreneurial risk-bearing in the theory of the firm, but not before the late 1970s. The economic underpinnings of this issue have been the subject of analysis by a few pioneering

papers including Lucas (1978), Kanbur (1979, 1981), Kihlstrom and Laffont (1979), So if you are journey on the path of entrepreneurship .Then you would meet certain risks ,which can minimise by Insurance and theses risks are as follows

1. **Unemployment entrepreneur** --- This reform allowed unemployed entrepreneurs to retain their rights to unemployment benefits for three years in case their venture fails. Additionally, the reform mandated the unemployment insurance fund to pay out to unemployed entrepreneurs any gap between their entrepreneurial revenues and their unemployment benefits, providing insurance against cash flow shortfalls. These changes all facilitated entry into entrepreneurship by removing the strong financial disincentives that were previously associated with entry into entrepreneurship by unemployed workers.
2. **Professional liability** – Professional liability also known as errors and omissions E&O), over's a business against negligence claims due to harm that results from mistakes or failure to perform. .There are lot of professional skilled required to perform better result and to achieve goal .But some time it create big problem due to mistake or negligence. So it need to care.
3. **Fixed asset liability** – Whenever you start office or factory .Then you have to buy different types of fixed assets like equipment, machines and furniture etc But sometimes these assets destroy due to uneventful activities. . However, mass-destruction events like floods and earthquakes are generally not covered under standard property insurance policies. So it necessary to take prevention these assets from damage through insurance.
4. **Product liability**-- Every finished product need special protection through insurance because different types of risk associates with these finished product and it vary from time to time and place to place. It could be damage due to transportation or in open market etc. If insurance do then these uneventful may reduce and also protect these finished product
5. **Workers' compensation** – Whenever a organization is start or running then worker is first priority and without worker organisation never run . So every entrepreneur must be protect his worker and also take proper insurance for them. Once the first employee has been hired, workers' compensation insurance should be added to a business's insurance policy. This will cover medical treatment, disability and death benefits in the event an employee is injured or dies as a result of his work with that business.
6. **All Vehicles Liability**— Every entrepreneur or organisation have so many vehicles .Some personal and some organization. But all these vehicles should be proper insured whether first or third party insurance. .Otherwise it would be very difficult to minimise the loses due to accident. If company vehicles will be used, those vehicles should be fully insured to protect businesses against liability if an accident should occur. At the very least, businesses should insure against third-party injury, So it is necessary to protect these vechiles through insurances.
7. **Business interruption** – Any entrepreneur or organization never assure his future without any problem because business means face the challenges, which are unpredictable .Some time some entrepreneur overcome and some time it not happened. Ultimate result is business interruption. But it is not essay to avoid this problem. And at the same time there are no of reasons for that . May be machine or materials or men or money or place etc. So it is necessary to take special focus on this issue also. Otherwise Business interruption creates new vertical of problems. This is more dangerous for all entrepreneurs.

By having the right insurance in place, a business can avoid a major financial loss due to any uneventful event. Check with your insurer to find out what forms of insurance are advised for your type of business and put those plans in place as soon as possible. Insurance is routinely available in advanced economies. However, insurance markets are not well developed in the Emerging Market Economies also called emerging/developing countries like India where individuals are less likely to insure their wealth; and insurance is not available for entrepreneurs like start-ups and small businesses at affordable rates. The limited availability of insurance in the emerging market countries like India fails to decrease the level of uncertainty and reduces the chances of people starting up a business. That slow down economic growth of the country.

LITERATURE REVIEW

The literature on insurance and entrepreneurship is vast and encompasses various interrelated fields. The following sections review various aspects of the literature: entrepreneurship; uncertainty and risk; entrepreneurship, uncertainty and risk; entrepreneurship in emerging market countries; factors of entrepreneurship; insurance; insurance in Emerging Market Economies; economic growth and economic development; financial markets and economic growth; insurance and economic growth; insurance and financial markets; entrepreneurship and economic growth and development. These aspects constitute relevant blocks for the study of the relationship between insurance and entrepreneurship. The earlier literature has looked at cross-country differences in barriers to entry and the aggregate implications for entry rates (Djankov et al. (2002), Desai et al. (2003), Klapper et al. (2006)). Because of its focus on cross-country outcomes, this literature has mostly overlooked how barriers to entry affect the composition of the pool of actual entrepreneurs. There are few country-level studies on the impact of entry regulations that use micro-data. Most of these papers focus on the effect of simplifications in the registration process and/or reduction in the transaction costs associated with entry (Branstetter et al. (2010), Mullainathan and Schnabl (2010), or Bruhn (2011)). These reforms affect not only the incentives for individuals to create new firms but also the willingness to formalize existing activities. Additionally, these papers typically examine entry rates and do not consider how these deregulations affect entrepreneurial quality or labour reallocation across entire industries, which is the focus of our paper. Many papers have shown that limited access to finance affects business creation and growth (Evans and Jovanovic (1989), Holtz-Eakin et al. (1994a, 1994b), Hurst and Lusardi (2004), de Mel et al. (2008), Kerr and Nanda (2010)). The policy experiment in this paper can be viewed as a monetary transfer to entrepreneurs, but in the form of increased insurance in case of failure. Our results demonstrate that these types of subsidies also increase entrepreneurial activity, thereby fostering creative destruction in affected industries.

RESEARCH QUESTION & HYPOTHESIS

The historical and literature reviews provide material to identify gaps and constitute the basis for the study on the relationship between insurance and entrepreneurship. On the basis of the considerations developed above, the research questions to test empirically are:

- What is the relationship between availability of insurance and entrepreneurship?
- What is the direction of causality, e.g., which comes first, insurance or entrepreneurship?

Within this framework, there are several specific types of entrepreneurship—the main dependent variable—to consider and there are various insurance products (or policies) that can be related to economic activity and entrepreneurship.

The hypotheses of the empirical are

H1: Does the availability of insurance interact with entrepreneurship under the specification of start-ups?

H2: Does a causal relationship between insurance and entrepreneurship exist? And what is the direction of causality?

The empirical test is performed on a panel data for the period of 2016 for India.

RESEARCH METHODOLOGY

The Study was descriptive and analytical, so survey method used. A well structured questionnaire has been prepared to the respondents through personal interview and other method to collect the primary data. The questionnaire was divided into two parts .Part one is respondent's profile and part two was main survey. The sample, to which the questionnaire has been administered, based on random sampling techniques. The sample has been collected various location of Jharkhand approximately 450 respondents, of which 402 was selected for the study. The Data collection has been done from a period of 3 months (June to August) in the year 2016 the sample distribution was given below.

TABLE – I (Primary Data)

Age	Male	Female	Total
15-25	42	28	70
25-35	40	21	61
35-45	62	32	94
45-55	51	37	88
55-65	29	20	49
65-75	23	17	40
Total	247	155	402

Findings and Analysis

1. Are you aware of insurance policy for entrepreneur?

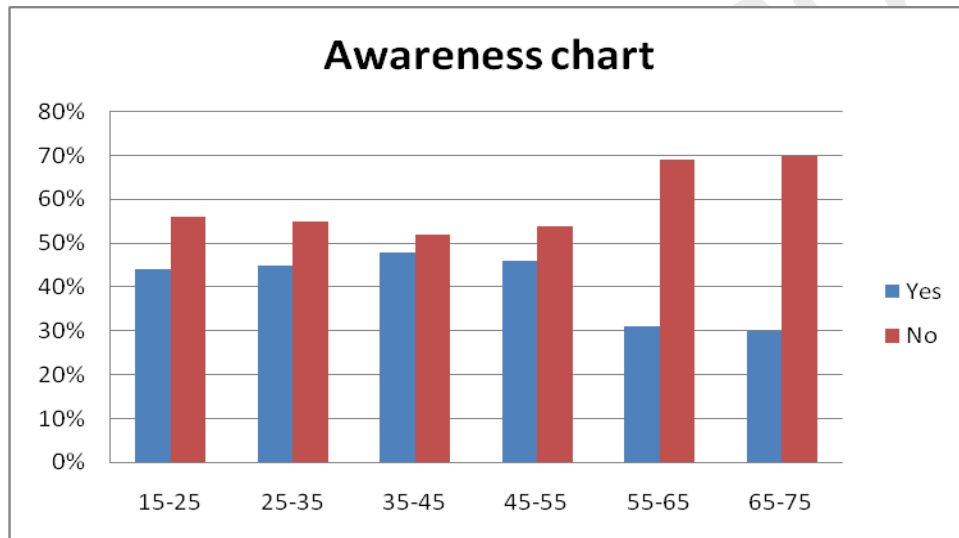
• TABLE- 2. (Primary Data)

Age-	15-25	25-35	35-45	45-55	55-65	65-75	Total
Yes	31	29	45	46	15	12	163
No	39	35	49	54	34	28	239
Total	70	64	94	100	49	40	402

• TABLE-3.

Age -	15-25	25-35	35-45	45-55	55-65	65-75
Yes	44%	45%	48%	46%	31%	30%
No	56%	55%	52%	54%	69%	70%

• TABLE- 4.



With reference to the above Table – 3 & Graph Table - 4 .It reflects that maximum people not aware insurance policy for entrepreneur. It means they don't know how insurance would help them to minimise their risks during the path of entrepreneurship.

2. Are you familiar with insurance policy for your existing business?

• TABLE – 5. (Primary Data)--

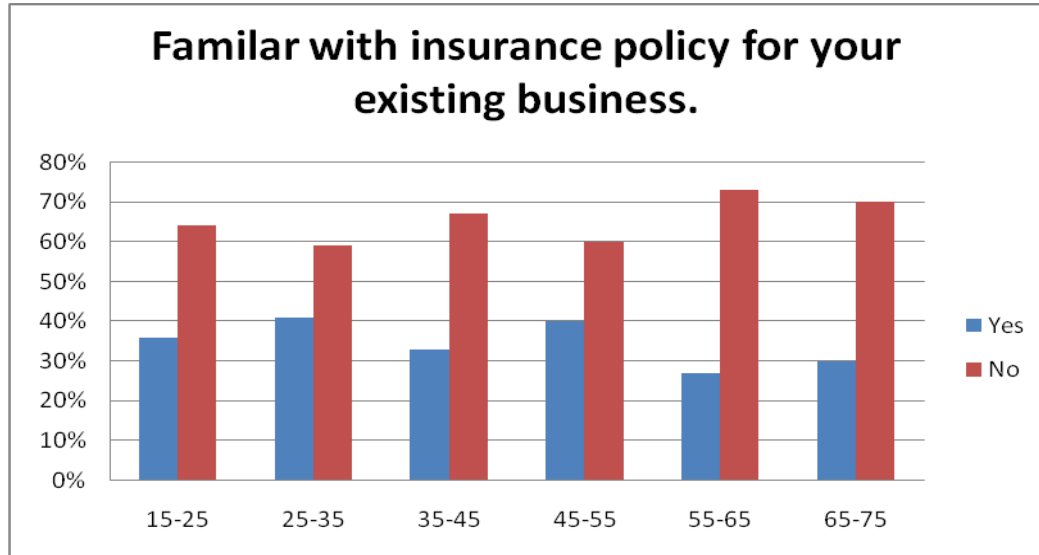
Age-	15-25	25-35	35-45	45-55	55-65	65-75	Total
Yes	15	13	18	16	4	3	69
No	27	19	36	24	11	7	124
Total	42	32	54	40	15	10	193

• TABLE – 6.

Age-	15-25	25-35	35-45	45-55	55-65	65-75
Yes	36%	41%	33%	40%	27%	30%

No	64%	59%	67%	60%	73%	70%
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• TABLE-7



With reference to the above Table – 6 & Graph Table - 7 .It reflects that maximum people not familiar with insurance policy for their existing business. It means they don't know how insurance would help them to minimise their risks during the path of entrepreneurship.

CONCLUSION & SUGGESTION

The results respond to the first of the research questions and gives significant evidence that insurance plays a substantial role in favouring start-ups and ultimately for economic growth. It confirms that entrepreneurship constitutes a link that connects insurance to economic growth. The findings are in line and expand the work of that when people have considerable levels of risk coverage through the provision of insurance, they will adjust their investment decisions toward more profitable and riskier initiatives. In this context, this study implies that insurance as a market institution reduces overall uncertainty and provides incentives for the development of entrepreneurship.

However, the impact of the development of insurance markets by itself would need a big push in the supply of insurance policies to generate a substantial increase in start-ups. It confirms that a series of policies in various areas are needed, one of which is developing insurance markets, but insurance alone cannot fix all the problems. From a research point of view, the study prompts a series of theoretical and empirical investigations concerning the role of insurance in various directions.

First, this study should lead to the expansion of research on the themes of insurance and entrepreneurship and their relationship, which in turn prompts policy implications consistent with the framework, that insurance market can help promote entrepreneurship and achieve

economic growth; i.e., “the adoption of certain institutions channels and encourages the entrepreneurial aspect of human activity in a direction that spurs economic growth. Now these days Government of India has been taken initiatives to start ups especially for professionals. But need to change the image of insurance among entrepreneurs and how entrepreneurs minimise their risks by single insurance policy instead of multiple insurance policies. That accelerates the new comer towards entrepreneurship.

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