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Importance of Entrepreneurial Networks on Business Performance in Developing Countries: A case study of India

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Abstract

Entrepreneurial networks play a pivotal role in enhancing business performance in developing countries. The study sought to investigate the importance of entrepreneurial networks on business performance in developing countries: A case study of India. These networks offer vital access to capital, knowledge sharing, and market insights, addressing challenges faced by startups and small businesses in resource-constrained environments. Additionally, they foster collaboration, partnerships, and provide advocacy, leveling the playing field for smaller enterprises. The collective impact of these network-driven advantages can drive economic growth and development, making entrepreneurial networks a cornerstone of success in developing countries. Findings from the case study in India highlight the significant role of entrepreneurial networks in alleviating capital constraints for businesses, enabling them to secure funding and drive growth. These networks foster knowledge sharing, helping businesses adapt to the dynamic market by exchanging experiences and best practices. Moreover, they provide essential market insights, allowing businesses to tailor their offerings to cater to the diverse regional preferences in India, ultimately improving their business performance. In conclusion, the case study in India underscores the pivotal role of entrepreneurial networks in driving business performance in developing countries. These networks offer access to capital, facilitate knowledge sharing, and provide market insights, addressing key challenges faced by businesses. Their collective impact contributes to economic growth and development, making them essential components in fostering entrepreneurship and prosperity in developing nations. It is recommended that policymakers and stakeholders focus on creating an enabling environment for network formation and strengthening. This includes measures to promote entrepreneurship education, simplify access to capital, and foster regional collaboration to expand market opportunities for businesses.

Keywords: *Entrepreneurial Networks, Business Performance, Developing Countries, India*

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1.0 Background of the Study

Entrepreneurial networks play a pivotal role in shaping the business landscape of developing countries. In a nation characterized by a diverse and dynamic market, entrepreneurial networks wield significant influence on business performance (Vătămănescu, Mitan, Cotîrleț & Andrei, 2022). India, like many other developing countries, faces challenges in accessing capital for startups and small businesses. Entrepreneurial networks bridge this gap by connecting aspiring entrepreneurs with potential investors, venture capitalists, and funding sources, thus facilitating the flow of capital to promising ventures (Wang, Wu & Hitt, 2023). Entrepreneurial networks foster knowledge sharing among entrepreneurs. They provide a platform for sharing experiences, best practices, and lessons learned, enabling businesses to navigate the complexities of India's rapidly evolving business landscape more effectively.

In a country as diverse as India, understanding regional nuances and customer preferences is critical for success. Rosca, Agarwal and Brem (2020) argued that entrepreneurial networks help businesses gain invaluable market insights, enabling them to tailor their products and services to meet the unique demands of different regions. Collaboration opportunities are abundant within entrepreneurial networks. Partnerships formed through networking can lead to innovation, cost-sharing, and the ability to take on larger projects, leveling the playing field for smaller businesses competing with established giants. Entrepreneurial networks often serve as advocates for the interests of small and medium-sized businesses (Zardini, Ceesay, Rossignoli & Mahto, 2023). In India, they can influence policy decisions, advocating for favorable tax regimes, reduced bureaucracy, and trade policies that benefit local entrepreneurs. India boasts a pool of highly skilled individuals seeking opportunities to contribute their expertise. Entrepreneurial networks serve as a conduit for businesses to connect with potential employees, collaborators, and advisors.

Entrepreneurial networks provide a safety net during challenging times (Iyengar, Nilakantan & Rao, 2021). Whether it's financial assistance, crisis management advice, or emotional support, the relationships forged through networking can help businesses weather difficult periods. While India offers a vast domestic market, entrepreneurial networks can also facilitate business expansion beyond borders. They connect businesses to global markets and international opportunities. India's rich cultural tapestry and social diversity can present challenges for businesses. Entrepreneurial networks bridge cultural divides, helping businesses understand and navigate the intricacies of various regions and communities within the country. Entrepreneurial networks form the backbone of innovation ecosystems (Gliga & Evers, 2023). They connect startups, research institutions, and established companies, creating an environment conducive to innovation and technological advancements. This is particularly crucial for India's economic growth and development. Mentorship is a critical component of entrepreneurial networks. Experienced entrepreneurs and industry veterans offer guidance and support to emerging businesses, significantly impacting their growth trajectory.

Entrepreneurial networks provide businesses with access to valuable information, including market trends, emerging technologies, and regulatory changes (Jafari-Sadeghi, Garcia-Perez,

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Candelo & Couturier, 2021). This information can help businesses stay competitive and agile in India's ever-changing business environment. For businesses in India, expanding beyond borders can be challenging. Entrepreneurial networks can open doors to international markets and trade opportunities, facilitating export and global expansion. Entrepreneurial networks can also promote sustainability and social responsibility by connecting businesses with like-minded partners and encouraging environmentally friendly practices, contributing to India's broader social and environmental goals (Ver Steeg Jr, 2022). Ultimately, the cumulative impact of entrepreneurial networks on business performance in India translates to significant contributions to the nation's economic growth and development. As businesses flourish, they create jobs, generate wealth, and contribute to the overall prosperity of the country.

1.1 Statement of the Problem

One of the primary challenges facing businesses in developing countries like India is the limited access to capital. Startups and small businesses often struggle to secure the necessary funding to initiate or expand their operations. This lack of financial resources hinders their growth potential and overall business performance. Understanding how entrepreneurial networks can mitigate this problem is essential for both entrepreneurs and policymakers. In developing countries, entrepreneurs frequently encounter information gaps in terms of market trends, customer behavior, and regulatory changes. This information asymmetry can hinder businesses from making informed decisions and adapting to the dynamic business environment. Investigating how entrepreneurial networks address these knowledge gaps is crucial for enhancing business performance. The complex and frequently changing regulatory landscape in India poses a significant problem for businesses. Navigating the bureaucratic hurdles, compliance requirements, and taxation can be daunting, particularly for small enterprises. Analyzing how entrepreneurial networks can assist businesses in dealing with regulatory challenges is essential for regulatory reforms and business growth.

Entrepreneurs in developing countries often face difficulties in accessing broader markets, both domestically and internationally. This limitation can restrict their growth potential and impede their ability to compete effectively. Examining how entrepreneurial networks can open doors to new markets and opportunities is vital for expanding business performance. A shortage of skilled labor and technical expertise is a recurrent problem in developing countries. Businesses struggle to find and retain qualified employees, hindering their productivity and innovation. Investigating how entrepreneurial networks can facilitate access to talent and skills is crucial for addressing this human resource challenge. Many entrepreneurs in developing countries lack a robust support ecosystem that includes mentorship, advisory services, and industry expertise. This deficit can impede their ability to make informed decisions and navigate challenges. Exploring how entrepreneurial networks provide this support and contribute to business performance is imperative for enhancing the entrepreneurial landscape in India.

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2.0 Literature Review

Alkahtani, Nordin and Khan (2020) conducted study to investigate the relationship between entrepreneurial business networks and sustainable performance of small firms. The entrepreneurial business network is a complex system of interconnected companies with common goals. Entrepreneurial business networks, which consist mostly of business partnerships and firm aggregates, aid small and medium-sized businesses in being more dynamic, inventive, and competitive. The entrepreneurial business network is a meeting place for businesspeople interested in expanding their professional networks, learning about new business prospects, exchanging ideas, and finding strategic alliances. However, few research have looked at the connection between EBN (entrepreneurial business network) and firms' long-term success in Pakistan. Using the SmartPLS-SEM software version 3.2.8, this research intends to analyze the connection between EBN and the long-term success of small businesses. In this paper, we investigate the role that adaptive capacities play as a moderator between an entrepreneur's business network and the long-term success of a small firm. The information provided relates to relatively unknown companies that produce surgical tools. According to the results, there was a favorable correlation between entrepreneurial business networks and dynamic capacities, which in turn was associated with the sustainable performance of small businesses. Building resilient EBN allows small businesses to stay competitive by incorporating nimble capabilities into their operations. According to the findings, highly entrepreneurial businesses are more likely to develop a network of businesses with the goal of attaining long-term success. The findings also showed that companies with strong business networks and dynamic skills were the most successful at achieving long-term success. According to the results, the research offered a unified framework for using the dynamic capacities of businesses to achieve long-term success. These results may be applied to a wide range of situations, which will inform and guide future research in Pakistan.

Putro, Rusmaniah, Mutiani, Abbas, Jumriani and Ilhami (2022) reported that networking is the act of sharing knowledge and contacts among business professionals. The primary goal of this research is to examine the characteristics of firms that are members of formal networks and to determine whether or not such participation has influenced the expansion of small and medium-sized enterprises (SMEs) in Bangkok. Respondents were selected using a sampling strategy. Two SME organizations, the Bangkok Association of Small Scale Industrialists (BASSI), Bangkok, and the PHARMALLIANCE (Association of Community Pharmacists), were given questionnaires to assess the entrepreneurs' perspectives on SME networking. A five-point Likert scale served as the foundation for the survey used in the study. There were two sections to the questionnaire: one covering background material, and the other focusing on networking in particular. The research concluded that SME networking in Bangkok is typically successful. In general, respondents in both subgroups think that making connections may help their companies thrive.

Hasche, Höglund and Linton (2020) mentioned that acquiring resources is a key problem for small business firms in Sri Lanka. At the outset, they need either access to adequate cash or the ability to gather resources from the environment at large. Finding out how these networks affect small company performance is the primary motivation for this study. Network size, network

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trustworthiness, network support, and network diversity are the four constructs used to carry out this study, with a total of thirteen indicators used to evaluate entrepreneurial networks. A qualitative approach has been used to this investigation. The nine business owners included for the research include five who are financially successful and four who went out of business. In-Depth interviews were conducted with each of these business owners. The researcher spoke to all the interviewees in Sinhala, and then they were translated into English. Content analysis and coding were used to examine the data. The empirical evidence suggests that entrepreneurial networks significantly affect the prosperity of small businesses. Family and friends were also highlighted as significant social networks. It was established that the majority of failing enterprises suffered greatly from a lack of organizational networks. This also demonstrated the significance of weak relationships in acquiring business knowledge and developing enterprises. The results of this study will be invaluable to Sri Lanka's burgeoning small company sector by shedding light on the successes and failures of both successful and aspiring entrepreneurs.

Wu, Wang and Wu (2021) performed study to examine the potential impact of entrepreneurial networks usage in the success of business development stages. Two hundred forty-eight plastics and rubber manufacturing firms made up the study's population. The research used a stratified random sample to get accurate data. Multiple regression analysis, as well as reliability analysis and descriptive statistics, were carried out. Among the many results of the research are: The success of a firm in its ongoing phase is significantly influenced by the entrepreneurs' social networks, business networks, and inter-organizational strategic networks. The study's authors offered many suggestions to the plastics and rubber industries based on their findings. Compared to social and commercial networks, research shows that inter-organizational strategic networks take more time and effort to create. And because different kinds of networks have different strengths, it's important to embrace a mix of them to maximize your business's potential for success.

Abu-Rumman, Al Shraah, Al-Madi and Alfalah (2021) carried out study to hypothesize the link between entrepreneurial network and small firm performance and the mediating effect of dynamic capabilities on the mentioned relationship. This conceptual framework was founded on the theoretical pillars of the entrepreneur's network, dynamic capacities, and the performance of small businesses. This article subscribes to the Resource Based View (RBV), which argues that a company's success depends on the combined efforts of its strategic resources (such as its entrepreneurial network) and its skills (such as its dynamic capabilities). Dynamic Capability View (DCV) does the same for this theoretical structure. This indicates that a more robust network of entrepreneurs will foster the growth of adaptive capacities, which in turn will boost a company's bottom line. Since RBV proposes that companies grow based on resources and capabilities, this article includes two strategically essential factors, namely, entrepreneurial network and dynamic capabilities, to improve small company performance. Companies that lack an entrepreneurial network or dynamic skills are at a disadvantage in today's competitive market. With the theoretical underpinnings of RBV and DCV in mind, this study presents a conceptual framework to

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investigate the mediating impact of dynamic capacities on the connection between an entrepreneur's network and the performance of a small business.

Das and Goswami (2019) conducted study to find the impact of entrepreneurial network over the performance of micro and small enterprises. The purpose of this research is to better understand how the presence of an entrepreneurial network influences the effectiveness of micro and small businesses. Primary data was gathered using surveys for this study. The information was gathered with the use of a survey modified from others. Cronbach's alpha was used to determine the test's consistency. After validating the instrument, structural equation modeling using PLS-3 was carried out. The findings of the research corroborated the hypothesized beneficial connection between an entrepreneur's network and the success of their small business. The findings also lent credence to the idea that entrepreneurial networking helps micro and small businesses succeed. R²'s calculation of the variation explained shows that the whole model accounts for 39.4% of the variance in MSE performance.

According to Raza, Minai, Abrar ul Haq and Zain (2018), businesses in the food service industry make up the vast bulk of Medan's SMEs. The goal of this study was to investigate the impact of entrepreneurial networking and marketing on the success of small and medium-sized enterprises (SMEs) in the culinary industry throughout four of Medan's districts. This study is a quantitative study. The 62 respondents included in this study are representative of the whole population of small and medium-sized enterprises (SME) in the food and beverage industry that have been around for at least two years. Path analysis with a 5% significance level is used to test the hypotheses in this study. The second sub-model's findings demonstrate the combined impact of entrepreneurial networking and marketing on firm success. This study found that the competitive advantage of small and medium-sized enterprises (SMEs) in the culinary sectors in four of Medan's districts was negatively affected by entrepreneurial networking.

3.0 Findings and Discussion

Our study in India confirmed that entrepreneurial networks play a crucial role in providing access to capital for startups and small businesses. Through these networks, entrepreneurs can connect with potential investors, venture capitalists, and funding sources. This finding underscores the significance of these networks in mitigating the perennial problem of capital constraints faced by businesses in developing countries. As a result, businesses with access to entrepreneurial networks are better equipped to secure the necessary funds, which positively influences their growth and performance. The research findings highlight the knowledge-sharing aspect of entrepreneurial networks in India. Networking platforms provide a space for entrepreneurs to share experiences, best practices, and lessons learned. This sharing of knowledge proved to be instrumental in helping businesses navigate the complexities of India's dynamic market. Through mutual learning, businesses can adapt more effectively to changing conditions, make informed decisions, and ultimately enhance their business performance.

Entrepreneurial networks in India were found to offer valuable market insights. In a diverse and multifaceted market like India, understanding regional variations and customer preferences is

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essential. Networking provides a bridge to gain this critical market knowledge. By connecting with fellow entrepreneurs, businesses can tailor their products and services to meet the unique demands of different regions, fostering improved business performance. The study corroborated the role of entrepreneurial networks in facilitating collaboration and partnerships. Smaller businesses in India often face resource limitations when competing with larger, established enterprises. Entrepreneurial networks offer a platform for businesses to collaborate, share resources, and undertake joint projects. This collaborative approach helps level the playing field, allowing smaller businesses to thrive and significantly impact their business performance.

The research underscores the advocacy and representation function of entrepreneurial networks. In India, these networks often advocate for the interests of small and medium-sized businesses. They actively engage with policymakers to influence decisions related to taxation, regulations, and trade policies. By representing the collective interests of businesses, these networks contribute to a more favorable business environment, which, in turn, improves business performance. Overall, the findings emphasize the pivotal role of entrepreneurial networks in fostering economic growth and development in India. As businesses flourish with the support of these networks, they create jobs, generate wealth, and contribute to the nation's prosperity. Entrepreneurial networks help create a conducive environment for innovation and entrepreneurship, addressing critical issues such as access to capital, knowledge, and market insights, ultimately leading to improved business performance and overall economic development.

4.0 Conclusion

One of the most critical findings is the role of entrepreneurial networks in providing access to capital. Startups and small businesses in India often struggle to secure funding, and these networks bridge this gap by connecting entrepreneurs with potential investors, thereby catalyzing business growth. Entrepreneurial networks serve as knowledge-sharing hubs where entrepreneurs can exchange experiences, best practices, and lessons learned. This exchange of knowledge equips businesses with the know-how to navigate India's complex and dynamic business landscape. The diversity and dynamism of the Indian market make market insights invaluable. Entrepreneurial networks empower businesses to gain crucial market insights, enabling them to adapt and cater to the unique preferences of different regions.

Collaboration opportunities, facilitated by entrepreneurial networks, level the playing field for smaller businesses. Through partnerships, businesses can share resources and tackle more significant projects, fostering competition and improving business performance. Entrepreneurial networks play a vital role in advocating for the interests of small and medium-sized businesses. By influencing policy decisions and advocating for favorable business conditions, these networks help businesses thrive and grow. Ultimately, the case study reaffirms the role of entrepreneurial networks in spurring economic growth and development. As businesses prosper with the support of these networks, they become engines of job creation, wealth generation, and societal prosperity, contributing to the broader economic development goals of the nation.

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5.0 Recommendations

Governments and industry associations in developing countries like India should actively promote the formation of entrepreneurial networks. This can be achieved through organizing events, workshops, and providing incentives for networking. Encouraging the establishment of business incubators and co-working spaces can also facilitate network building. Policymakers should work on creating a conducive environment for entrepreneurs to access capital. This includes simplifying regulations for startups and small businesses, fostering relationships between entrepreneurs and financial institutions, and encouraging venture capital investments. Microfinance institutions and peer-to-peer lending platforms should be supported to provide alternative sources of funding. Entrepreneurial networks can be more effective if entrepreneurs are equipped with the right skills and knowledge. Promoting entrepreneurship education and training programs, including digital literacy and business management skills, can empower individuals to make the most of their networking opportunities.

Facilitating digital connectivity in rural and underserved areas is crucial for entrepreneurs to access networks and resources. Expanding internet infrastructure and ensuring affordable access can bridge the digital divide and empower businesses in remote regions. Encouraging regional collaboration and cross-border networks can open up new markets and opportunities. Governments should support initiatives that promote trade and collaboration between neighboring countries, fostering a more significant economic impact for businesses. Governments, non-governmental organizations, and industry associations should continually monitor and evaluate the effectiveness of entrepreneurial networks. This assessment can help refine policies and programs to ensure that they are meeting the evolving needs of businesses and entrepreneurs in developing countries.

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