



THE ROLE OF ENTREPRENEURSHIP IN INDIAN ECONOMY DEVELOPMENT IN INDIA

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ABSTRACT

Entrepreneurship & economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development & the entrepreneur is the key to economic growth. Whatever be the form of economic & political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has a fabulous potential in a developing country like India. So, statistical data & its analyses of several countries show that small industries have grown faster than large industries over the last couple of decades. Large industries first lost jobs while small industries created new workplaces.

Key words: *Enterprenuership, Economic Development, Political Setup, Economic*

INTRODUCTION

Entrepreneurship is the process of designing, launching and running a new business, which is more often than not, initially a small business, offering a product, process or service for sale or hire. The people who create these businesses are called **entrepreneurs**.^[1]*[need quotation to*

verify]^[2] Entrepreneurship has been described as the "capacity and willingness to develop,

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organize and manage a business venture along with any of its risks in order to make a profit".^[3] While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of businesses have to close, due to "lack of funding, bad business decisions, an economic crisis, lack of market demand – or a combination of all of these"^[4].

In the 2000s, the definition of "entrepreneurship" expanded to explain how and why some individuals (or teams) identify opportunities, evaluate them as viable and then decide to exploit them, whereas others do not^[5] and, in turn, how entrepreneurs use these opportunities to develop new products or services, launch new firms or even new industries and create wealth.^[6] Recent^[when?] advances stress the fundamentally uncertain nature of the entrepreneurial process, because although opportunities exist, their existence cannot be discovered or identified prior to their actualization into profits.^[7] What appears as a real opportunity ex ante might actually be a non-opportunity or one that cannot be actualized by entrepreneurs lacking the necessary business skills, financial or social capital.

An entrepreneur has been defined^[by whom?] as, "a person who starts, organizes and manages any enterprise, especially a business, usually with considerable initiative and risk; running a small business with all the risk and reward of any given business process".^{[8][9]} Entrepreneurs tend to be good at perceiving new business opportunities and they often exhibit positive biases in their perception (i.e., a bias towards finding new possibilities and seeing unmet market needs) and a pro-risk-taking attitude that makes them more likely to exploit the opportunity.^{[10][11]} An entrepreneur may be in control of a commercial undertaking, directing the factors of production – the human, financial and material resources – that are required to exploit a business opportunity. Entrepreneurs act as managers and oversee the launch and growth of an enterprise. Entrepreneurship is the process by which either an individual or a team identifies a business opportunity and acquires and deploys the necessary resources required for its exploitation.

The exploitation of entrepreneurial opportunities may include:

- developing a business plan
- hiring the human resources
- acquiring financial and material resources
- providing leadership
- being responsible for both the venture's success or failure
- risk aversion

Objectives of the study

1. To know the entrepreneurship in India
2. To Study the role of Entrepreneurship Development of Indian Economy development in India.
3. To analyse the impact of Entrepreneurship in Indian Economy development In India

Methodology:

This is an conceptual study b the secondary data source. The secondary data is used to high light the conceptual analysis and review of literature. The sources of secondary data for the study were the reports of the women entrepreneurship in India. In addition to those books, articles, journals these submitted to universities were also referred. The internet has also been extensively made use for the purpose of study.

The Economist Joseph Schumpeter (1883–1950) saw the role of the entrepreneur in the economy as "creative destruction" – launching innovations that simultaneously destroy old industries while ushering in new industries and approaches. For Schumpeter, the changes and "dynamic disequilibrium brought on by the innovating entrepreneur [were] the norm of a healthy economy".

While *Entrepreneurial spirit* may be characterized as being "by innovation and risk-taking", entrepreneurship is often associated with new, small, for-profit start-ups, entrepreneurial behavior can be seen in small-, medium- and large-sized firms, new and established firms and in for-profit and not-for-profit organizations, including voluntary-sector groups, charitable organizations and government.

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Entrepreneurship may operate within an entrepreneurship ecosystem which often includes:

- government programs and services that promote entrepreneurship and support entrepreneurs and start-ups
- non-governmental organizations such as small-business associations and organizations that offer advice and mentoring to entrepreneurs (e.g., through entrepreneurship centers or websites)
- small-business advocacy organizations that lobby governments for increased support for entrepreneurship programs and more small business-friendly laws and regulations
- entrepreneurship resources and facilities (e.g., business incubators and seed accelerators)
- entrepreneurship education and training programs offered by schools, colleges and universities
- financing (e.g., bank loans, venture capital financing, angel investing and government and private foundation grants)

7 ROLES OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT OF A COUNTRY

Entrepreneurship plays an influential role in the economic growth and standard of living of the country. As a startup founder or small business owner, you may think that you are simply working hard to build your own business and provide for yourself and your family. But you are actually doing a whole lot more for your local community, state, region, and the country as a whole. Here are the top 7 important roles an entrepreneur plays in the economic development of a country.



1. Wealth Creation and Sharing: By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

2. Create Jobs: Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as *StartupIndia* to promote and support new startups, and also others like the *Make in India* initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.

3. Balanced Regional Development: Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like

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better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

4. GDP and Per Capita Income: India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

5. Standard of Living: Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

6. Exports: Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

7. Community Development: Economic development doesn't always translate into community development. Community development requires infrastructure for education and

training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

HOW IT WILL HELP FOR DEVELOPMENT OF INDIAN ECONOMY

Entrepreneurs are frequently thought of as national assets to be cultivated, motivated and remunerated to the greatest possible extent.

Entrepreneurs can change the way we live and work. If successful, their innovations may improve our standard of living. In short, in addition to creating wealth from their entrepreneurial ventures, they also create jobs and the conditions for a prosperous society.

The following are six reasons why entrepreneurs are important to the economy.

Entrepreneurs Create New Businesses

Path breaking offerings by entrepreneurs, in the form of new goods & services, result in new employment, which can produce a cascading effect or virtuous circle in the economy. The stimulation of related businesses or sectors that support the new venture add to further economic development.

For example, a few IT companies founded the Indian IT industry in the 1990s as a backend programmers' hub. Soon the industry gathered pace in its own programmers' domain. But more importantly, millions from other sectors benefited from it. (For more, see: *Top Indian Billionaires And How They Made Their Money.*)

Businesses in associated industries, like call center operations, network maintenance companies and hardware providers, flourished. Education and training institutes nurtured a new class of IT workers offering better, high-paying jobs. Infrastructure development

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organizations and even real estate companies capitalized on this growth as workers migrated to employment hubs seeking new improved lives.

Similarly, future development efforts in underdeveloped countries will require robust logistics support, capital investment from buildings to paper clips and a qualified workforce. From the highly qualified programmer to the construction worker, the entrepreneur enables benefits across a broad spectrum of the economy.

Entrepreneurs Add to National Income

Entrepreneurial ventures literally generate new wealth. Existing businesses may remain confined to the scope of existing markets and may hit the glass ceiling in terms of income. New and improved offerings, products or technologies from entrepreneurs enable new markets to be developed and new wealth created.

Additionally, the cascading effect of increased employment and higher earnings contribute to better national income in form of higher tax revenue and higher government spending. This revenue can be used by the government to invest in other, struggling sectors and human capital.

Although it may make a few existing players redundant, the government can soften the blow by redirecting surplus wealth to retrain workers. (For more, see: *Starting A Small Business In Tough Economic Times.*)

Entrepreneurs Also Create Social Change

Through their unique offerings of new goods and services, entrepreneurs break away from tradition and indirectly support freedom by reducing dependence on obsolete systems and technologies. Overall, this results in an improved quality of life, greater morale and economic freedom.

For example, the water supply in a water-scarce region will, at times, force people to stop working to collect water. This will impact their business, productivity and income. Imagine

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an innovative, automatic, low-cost, flow-based pump that can fill in people's home water containers automatically. Such an installation will ensure people are able to focus on their core jobs without worrying about a basic necessity like carrying water. More time to devote to work means economic growth.

For a more contemporary example, smartphones and their smart apps have revolutionized work and play across the globe. Smartphones are not exclusive to rich countries or rich people either. As the growth of China's smartphone market and its smartphone industry show, technological entrepreneurship will have profound, long lasting impacts on the entire human race.

Moreover, the globalization of tech means entrepreneurs in lesser-developed countries have access to the same tools as their counterparts in richer countries. They also have the advantage of a lower cost of living, so a young individual entrepreneur from an underdeveloped country can take on the might of the multi-million dollar existing product from a developed country. (For more, see: *Time For China's Smartphone Revolution.*)

Community Development

Entrepreneurs regularly nurture entrepreneurial ventures by other like-minded individuals. They also invest in community projects and provide financial support to local charities. This enables further development beyond their own ventures.

Some famous entrepreneurs, like Bill Gates, have used their money to finance good causes, from education to public health. The qualities that make one an entrepreneur are the same qualities that motivate entrepreneurs to pay it forward. (For more, see: *Encouraging Good Habits With An Incentive Trust.*)

The Other Side of Entrepreneurs

Are there any drawbacks to cultivating entrepreneurs and entrepreneurship? Is there an “upper limit” for the number of entrepreneurs a society can hold?

Italy may provide an example of a place where high levels of self-employment have proved to be inefficient for economic development. Research reveals that Italy has in the past experienced large negative impacts on the growth of its economy because of self-employment. There may be truth in the old saying, "too many chefs and not enough cooks spoil the soup." (For more, see: *The Real Risks Of Entrepreneurship*.)

The Role of States

Regulations play a crucial role in nurturing entrepreneurship, but regulation requires a fine balancing act on the part of the regulating authority. Unregulated entrepreneurship may lead to unwanted social outcomes including unfair market practices, pervasive corruption, financial crisis and even criminal activity.

FINDINGS:

1. **Entrepreneurship** is the creation of an innovative economic organization (or network of organizations) for the purpose of gain or growth under conditions of risk or uncertainty. An opportunity is the creation of an idea to begin a business. A venture is a business undertaking involving risk
2. Creating wealth from their **entrepreneurial** ventures, they also create jobs and the conditions for a prosperous society
3. **Entrepreneurs** occupy a central position in a market economy. For it's the **entrepreneurs** who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the **entrepreneurial** instinct.

CONCLUSION

Based on everything that has been discussed above it is apparent that the positive impacts of entrepreneurs on an economy, far outweigh the negative impacts. Job creation, reduction in unemployment levels, increased competition, opening new markets, increasing productivity, foreign income generation and poverty alleviation are some of the positive impacts that entrepreneurs have on an economy. However, this is not to say that there are no negative impacts such as the wastage and plundering of resources, yet taken as a whole it is apparent that the entrepreneurs positively impact an economy.



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