

Role of Entrepreneurship in Economic Development of India

Rekha Kumari¹ D.N Tiwari²

^{1,2}Noida International University

E-mail: ¹rverma565@gmail.com, ²revendra.tiwari@niu.ac.in

Abstract—*Entrepreneurship is the process of identifying opportunities in the market marshalling the resources required to pursue these opportunities and investing the resources to explore the opportunities for profit. Entrepreneurship plays vital role in economic development entrepreneurs serve as the catalyst in the process of industrialization and economic growth. According to Joseph Schumpeter the rate of economic progress of a nation depends upon the distribution of entrepreneur talent in the population. Technical progress alone cannot lead to economic development unless technological breakthroughs are put to economic use by entrepreneurs. An entrepreneur is an enterprising individual who builds capital through risk/initiative. The true spirit of entrepreneurship is providing solutions to the problems and needs of humanity Indian economic growth are the development of entrepreneur's activities. Entrepreneur efforts have been found to create a broad array of economic benefits together with new business, new jobs, new services and new products. The govt. of India in company with different public sector banks are coming with a lot of plans especially for up and coming entrepreneurs thus motivates them to take up entrepreneurship. Economic development of country is aided by entrepreneurship in the following ways-Employment generation, Entrepreneurship promote regional development increase in national income. Entrepreneurship always keeps their eyes open for opportunities. They explore and Under supervision Utilize opportunities, make effective resource mobilization of capital and skill rise new goods and services and develop market for growth of the economy. The goods and services produced are for consumption within the country and to meet the demand of exports. Entrepreneurship is about working towards what one truly loves and cares about. Let us celebrate the spirit of entrepreneurship, keep the fire alive and strive hard to change the economic face of our country.*

Keywords: *Entrepreneurship, Marketing, business*

1. INTRODUCTION

Entrepreneurship has at two meanings:

First, entrepreneurship refers to owning and managing a business. This is the occupational notion of entrepreneurship i.e. creation of new business.

- Second, entrepreneurship refers to entrepreneurial behavior in the sense of seizing an economic opportunity. This is the behavioral notion of entrepreneurship.

The entrepreneur, therefore, “is someone who specializes in making judgmental decisions about the coordination of scarce resources.” The term emphasizes that the entrepreneur is an individual. As G. L. S. Schackle wrote, “The entrepreneur is a maker of history, but his guide in making it is his judgment of possibilities and not a calculation of certainties,” and identified uncertainty-bearing as the economic function of the entrepreneur. According to Schumpeter, the entrepreneur is the prime mover in economic development and his function is to innovate. It is defined and established in traditional theories that investment in new knowledge increases the technology opportunity set and sharpens the ability to look into the future. Entrepreneurial activity thus could be very well understood as the activity that holds the discovery, evaluation and exploitation of opportunities within the defined established framework and how these opportunities are discovered exploited is related to institutional arrangement of the country or the individual. During the study we found four types of ventures:

- Independent start-ups;
- Spin-offs;
- Acquisitions;
- Corporate ventures

Relationship between Economic Development and Globalization

Three stages of development are defined by Development Economists:

- First state is , the economy specializes in the production of agricultural products and small-scale manufacturing.
- Second stage, the economy shifts from small-scale production toward manufacturing.
- Third stage, with increasing wealth the economy shifts away from manufacturing toward services.

M. Syrquin, “Patterns of Structural Change.” In Handbook of Development Economics, edited by H. Chenery and T.N.

Srinivasan, 203-273. (Amsterdam / New York: North-Holland., 1988)

The first stage is about high rates of non-agricultural self-employment, sole proprietorships or the self-employed which means small manufacturing firms and service firms. The second stage talks about when rates of self-employment are decreased. Entrepreneurial activity decreases as economies become more developed. As the economy becomes more developed fewer people pursue entrepreneurial activities. Now coming to the third stage, which simply sees increase in entrepreneurial activity, which is moving from small firms towards larger organizations. This came to in seen between 1970 „s and 80“s. The studies I have read indicates that firm size distribution in more developed countries has moved towards entrepreneurial activity.

After the study of various theories on economic development and findings of researchers I can say that economies in middle of economic development is negatively related to economic development as at this time maximum people shift from self employment to wage employment. But the case is different in developed becomes .there we can find people wil shift from wage work to entrepreneurial activity.

“Countries like Uganda, Peru and Ecuador are all countries with high levels of entrepreneurial activity but very low levels of per capita income. Countries with much lower levels of entrepreneurial activity (for example, Brazil and Argentina,) appear to have higher levels of per capita income and are moving toward lower levels of entrepreneurial activity. The middle represents a set of countries that appear to be transitioning from a middle-income level to a higher-income level and some have rising levels of entrepreneurial activity. High-income countries, such as Germany, France, Belgium, Italy and Finland, have relatively low levels of entrepreneurial activity. Two outliers are Japan, with one of the lowest levels of entrepreneurial activity, and the U.S., with one of the highest levels of entrepreneurial activity.”

Entrepreneurship and Economic Development: Do they have positive relation?

To find out this we need to find type of entrepreneurial activity countries are engaged in. Global Entrepreneurship Monitor (GEM) data is used to identify the type of activity in countries at different levels of development. The intent of GEM is to systematically assess two things:

- The level of start-up activity and the prevalence of new or young firms that have survived the start-up phase. First, start-up activity is measured by the proportion of the adult population (18-64 years of age) in each country that is currently engaged in the process of creating a nascent business.
- Second, the proportion of adults in each country who are involved in operating a business that is less than 42 months old measures the presence of new firms. The

distinction between nascent and new firms is made in order to determine the relationship of each to national economic growth.

For both measures, the focus is on entrepreneurial activity in which the individual’s involvements have a direct ownership interest in the business. Opportunity entrepreneurship represents the voluntary nature of participation and necessity entrepreneurship reflects the individual’s perception that such actions presented the best option available for employment. Opportunity entrepreneurs expect their ventures to produce more high-growth firms and provide more new jobs. Countries with high levels of necessity entrepreneurship get ranked the same as a country with low levels of entrepreneurship. Countries where more entrepreneurship is motivated by an economic opportunity recognized than by necessity have higher levels of income. We are finding How entrepreneurship is good for economic development?” for his we need to find meaning of entrepreneurship and self employment. Entrepreneurship may not lead to economic development as there is no mechanism to link the activity to development. We have learned from the studies and trend that self-employment declines as economies become more developed. So we can conclude that when economies remove people from self-employment, there can be an increase in development.

INDIA’S STRATEGY OF ECONOMIC DEVELOPMENT

India’s economic development strategy immediately after Independence was based primarily on the Mahalanobis model, which gave preference to the investment goods industries sector, with secondary importance accorded to the services and household goods sector (Nayar, 2001). For example, the Mahalanobis model placed strong emphasis on mining and manufacturing (for the production of capital goods) and infrastructural development (including electricity generation and Asia-Pacific Development Journal Vol. 12, No. 2, December 2005, transportation). The model downplayed the role of the factory goods sector because it was more capital intensive and therefore would not address the problem of high unemployment in India. Any increase in planned investments in India required a higher level of savings than existed in the country. Because of the low average incomes in India, the needed higher levels of savings had to be generated mainly by restrictions on the growth of consumption expenditures. Therefore, the Indian government implemented a progressive tax system not only to generate the higher

Levels of savings but also to restrict increases in income and wealth inequalities. Among other things, this strategy involved canalization of resources into their most productive uses. Investments were carried out both by the government and the private sector, with the government investing in strategic sectors (such as national defense) and also those sectors in which private capital would not be forthcoming because of lags or the size of investment required (such as infrastructure). The private sector was required to contribute to India’s

economic growth in ways envisaged by the government planners. Not only did the government determine where businesses could invest in terms of location, but it also identified what businesses could produce, what they could sell, and what prices they could charge.

Thus the strategy of economic development in India meant (1) direct participation of the government in economic activities such as production and selling and (2) regulation of private sector economic activities through a complex system of controls. In addition, the Indian economy was sheltered from foreign competition through use of both the “infant industry argument” and a binding foreign exchange constraint. Imports were limited to goods considered essential either to the development of the economy (such as raw materials and machines) or to the maintenance of minimal living standards (such as crude oil and food items). It was further decided that exports should play a limited role in economic development, thereby minimizing the need to compete in the global market place. As a result, India became a relatively closed economy, permitting only limited economic transactions with other countries. Domestic producers were sheltered from foreign competition not only from abroad but also from within India itself.

2. MATERIAL & METHODS

The 2011 Indian National census enumerated the population of Meghalaya state as 2,964,007, with the sex ratio as 986 females per 1000 males, and a 75% literacy rate (Registrar General, Govt. of India 2011). Today it has a mixed ethnic population consisting of tribals and non tribals who follow variety of religious beliefs and who speak several languages. Meghalaya is one of three states in India to have a majority with 70.3% of the population practicing Christianity (India 2011). It is broadly divided into two zones: the eastern part comprising of Khasi-Jaintia Hills region, predominantly occupied by the Khasi-Jaintias, and the Western Zone, predominantly occupied by the Garos. The East Khasi Hills District is one of seven districts in the state with an estimated population of 7 million, covering an area of 2,748 square kilometers with Shillong as its capital (India, 2011). Traditionally, Khasi culture encourages hard work, honesty and patience, desirable qualities of successful entrepreneurship, and women seem to be equal to men in all aspects (Nongbri, 2008; Bertrand & Schoar, 2006).

Starting- up Problems:

Depending on the business, all the entrepreneurs felt the financial assistance as a major constraining factor and required somewhere between Rs. 50,000 to Rs 2 lakhs (US \$ 1000 to 5000), depending on the enterprise but managed to get them locally.

Whether it was a man or a woman, the initial start-up problems were in terms of getting a good location for their business, attracting clients and evaluating their needs, Finance,

Right materials, and lack of training. For the women, the priority was more in getting the shop in the right place and for men, it was Finance and Tools.

These start-up problems were overcome mostly through learning experiences, hard work and patience, being economical, dedicated and good public relations, and good support from family and friends. There were no significant differences between men and women in their abilities or initiativeness in solving the problems of getting started. The establishment took 2-4 years to settle down.

The failures were also due to inexperience and lack of proper managerial training in organization and human resource management of their employees. Publicity had to be taken seriously, and one learns through mistakes how to make correct estimation and avoid overproduction and losses. Demand and supply of the products has to be carefully calculated and observed, packing has to be strong and good enough to avoid damages. Being cautious and alert, finding the correct information from the education department, Inspector of schools office, etc.

Two women and 3 men availed of bank loans, and had no major difficulties. However, due to heavy formalities and paper work, many did not even try to obtain government assistance.

Enabling Factors:

The main enabling factors in successful entrepreneurship were cited as hard work, patience and team-work, good public relationships with clients and dedication. The women emphasized more the need for good communication skills, spirit to serve the people (do it with love and kindness), humility and being economical in all the spheres. An element of risk-taking and constant innovations were also pointed out by women entrepreneurs as important enabling factors to meet the clients' expectations. Support from family and friends, adequate financial arrangements were also essential.

Problems/Constraints:

The major factors mentioned were the following: Climatic conditions, too many competitors, uncertain market, high rents, getting experienced and dedicated employees especially during the peak seasons, financial assistance, frequent bandhs and strikes lead to high transportation cost and also reaching the shop late which results to losing customers especially during important functions and occasions. In the early stages, the techniques and managerial experience in getting good quality raw material, controlling inflationary costs and bad debts, were critical obstacles. For women, taking care of children, especially when they are small or sick was a constraint.

3. DISCUSSION

Part of understanding the position of indigenous people, and the potential use of entrepreneurial activity as an economic development engine, is understanding the underlying approaches by which modern economic development efforts for indigenous people have been, and are currently being framed (Fiet, 2002; Frederick and Henry, 2004). It is within this critical role of economic development that indigenous entrepreneurship research is urgently needed, as applied to Meghalaya and other regions of North Eastern India, as well as globally. Entrepreneurial experiences in some indigenous populations and transition economies (Dias and McDermott, 2006; Estrin et al, 2006), have been reported but not much work has been done to explore in depth the constraints and obstacles faced by the people in the North Eastern India in adopting pro-entrepreneurial practices, and thereby contributing new knowledge for development of such regions.

Based on comparative studies between a nation's population and ethnic groups, utilizing first hand interviews with entrepreneurs, it was concluded that individuals often become entrepreneurs by being thrown into situations that force them to fashion their own means of livelihood (Holt, 2006; Stevenson, 1983; Carland et al, 1988). Given the rich cultural background and the practice of matriliney, women can thus contribute significantly, if given necessary support (Birley, 1989; Hisrich and Brush, 1987 distribution utilities and the state regulators to

THE CONSEQUENCES OF INDIA'S REGULATED ECONOMIC DEVELOPMENT

India's environment of regulated economic development led to the formulation of policies that were concerned with both macroeconomic and microeconomic aspects. Whereas much attention in the literature has been devoted to the macroeconomic issues, we focus primarily on the microeconomic aspects of Indian economic policies. In particular, we examine how individuals guided by their self-interests of survival and wealth accumulation will act in a regulated environment, which in fact discourages the pursuit of those self-interests. To do Asia-Pacific Development Journal Vol. 12, No. 2, December 2005 so, we describe the consequences of India's use of price ceilings, in which prices are set below their equilibrium level to make products and services affordable to relatively poorer sections of the society.

Specifically, when prices are kept artificially low, demand outstrips supply. To alleviate the resulting shortage of products and services, the government can either help to increase the supply or help to decrease demand for those products and services. Considering the supply side options first, the government had the following choices:

- (1) Increase the price of the product;
- (2) Subsidize production of existing suppliers so they will produce and sell more;

(3) Encourage new businesses to enter the line of production and selling; or

- (4) Permit imports to reduce or eliminate the shortage.

In India, none of these options was seen as satisfactory. First, the government certainly did not wish to increase prices, because price ceilings appealed to a majority of the vote bank. Second, although the government did subsidize production in several sectors considered essential, the resulting increased

Production was not sufficient to eliminate the large shortages. Third, the government decided to restrict rather than increase the entry of new producers under the pretext of directing scarce resources into their efficient uses. Finally, it allowed only limited recourse to imports, in order to protect Indian producers, unless the shortage reached a stage of crisis. The overall result was that inadequate amounts of products and services were supplied to the market.

THE ROLE OF ENTREPRENEURSHIP IN INDIA'S FUTURE ECONOMIC DEVELOPMENT

The progress of Indian economic development from 1947 to the present provides further evidence that individuals do respond to incentives in their pursuit of self-survival and accumulation of wealth. Further, the nature of this response depends on the economic climate, particularly the role of the government. India's economy struggled as long as it was based in a system of government regulation with little interaction with economic forces outside the country. The economic reforms of the early 1990s set the stage for substantial improvements in the Indian economy. As was stated earlier, India's economy grew at an average of 6.3 per cent from 1992-1993 to 2000-2001 (Acharya, 2001). Further, its rate of inflation and fiscal deficit both decreased substantially (Bhalla, 2000). Improved exchange rate management led to improved financing of the current account deficit and higher foreign exchange reserves. Finally, India's GDP and per capita income both increased substantially from 1990-1991 to 1998-1999. India can do more, however, to further advance its economic development. Indeed, one of the more recent microeconomic approaches to economic growth is the promotion of entrepreneurial activities. Entrepreneurial efforts have been found to generate a wide range of economic benefits, including new businesses, new jobs, innovative products and services, and increased wealth for future community investment (Kayne, 1999). The following narrative explains in considerable depth how entrepreneurial activities have succeeded in several countries and how it can now be used to further India's economic development.

RESEARCH METHODOLOGY:

The study is conducted by using both analytical and descriptive type of methodology of secondary data. Secondary data shall be collected from reports, published government

documents, newspaper clippings, websites, books, journals and magazines.

CONCLUSION:

We further conclude that India can generate additional economic growth by fostering entrepreneurial activities within its borders, particularly within its burgeoning middle class. Not only has entrepreneurship been found to yield significant economic benefits in a wide variety of nations, but India specifically has reached a point in its development where it can achieve similar results through entrepreneurial efforts. Among other things, India is poised to generate new business startups in the high technology area that can help it become a major competitor in the world economy. For example, it has a strong education base suited to entrepreneurial activities, increased inflows of foreign capital aimed at its growing information technology services sector, and a host of successful new business startups. To pursue further the entrepreneurial approach to economic growth, India must now provide opportunities for

- (1) Education directed specifically at developing entrepreneurial skills,
- (2) Financing of entrepreneurial efforts, and
- (3) Networking among potential entrepreneurs and their experienced counterparts.

Obviously, the government can play a substantial role in helping to provide these types of opportunities.

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