



A STUDY OF THE ROLE OF ENTREPRENEURSHIP IN INDIAN ECONOMY

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ABSTRACT

The study tells that the entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. One of the key objectives of modern economics is to determine factors that influence the economic development. This paper, therefore, seeks to discuss entrepreneurship as one of the factors that influence the economy of a nation, either directly or indirectly. It is a fact that entrepreneurship plays a significant part in shaping the landscape of a country's economy. Economists and policy makers recognize this fact. In fact, entrepreneurship is the engine of economic growth and it has come to be perceived as a catalytic agent for expansion and promotion of productive activities in every sphere of economic life all over the world.. There will then follow a discussion on the disadvantages of entrepreneurship to the economy. The paper will end with a conclusion summarizing all the keys points discussed, research limitations, and recommendations for further research.

Keywords:- Entrepreneur, Economic development,

INTRODUCTION

Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. Entrepreneurship is generally described as the ability of an individual or a group of individuals to create or discover an opportunity and utilize it to the benefit of the society, which, in turn, will bring success to the innovators and their organization. The relationship between entrepreneurship and economic growth of a country has increasingly gained a lot of interest from economists and policy makers over the years., entrepreneurship has been considered as the engine of economic growth and it has come to be perceived as a catalytic agent for expansion and promotion of productive activities in every sphere of economic life all over the world..

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In addition, entrepreneurship continually mixes up newly introduced and already existing productive resources among competing uses hence enhancing the efficiency of allocation. It also creates the overall prices within which business decisions are made and influences the rules of the game through which production and exchange are carried out. In developing countries, the process of economic growth is largely dependent on the entrepreneurial activities of the population. The well-planned and well-coordinated activities of entrepreneurs in a nation can bring about a high economic growth rate. In Saudi Arabia, entrepreneurship is one of the key factors that contribute to the balanced and rapid growth of the country's economy. In addition, entrepreneurship largely contributes to proper utilization of resources, establishment of a developed self-sufficient society, and creation of employment opportunities in Indian economy. .

Characteristics & Skills

Entrepreneurs are like gamblers, and like any gambler, their chances of winning increase if they have the right cards. Let's look at some characteristics and skills that help an entrepreneur succeed.

- 1.) A tolerance for risk-taking is a necessary attribute for entrepreneurs. You can think of risk-taking as pursuing an activity even if there is a chance of a negative consequence. Starting a business is risky, and even more so when you're using your own money. Sometimes you can spread the risk by convincing investors to come along on your new venture or by forming an entrepreneurial team. But at the end of the day, you can't avoid risk if you are going to start a new business and innovate.
- 2) Entrepreneurs also need creativity. Think about Steve Jobs and Mark Zuckerberg; these two entrepreneurs brought innovative products to the market that changed the way we live. Successful entrepreneurs innovate in one of two ways. They can bring an entirely new product or service to the market, like the first cellular phone. On the other hand, they can radically improve upon something in a dramatic way, just like the phone changed the world of smart phones.
- 3) Initiative is also required. Entrepreneurs lead. If you are not willing to start without being pushed, your new business will never get off the ground. For example, Eddie had an idea fresh out of college and took the initiative to start his business venture. No one had to convince him to act; he just acted.
- 4) Independence is also a paramount attribute for entrepreneurs. Nobody holds an entrepreneur's hand, and they don't want any hand-holding. Successful entrepreneurs must be



willing to go it alone and succeed or fail on their own effort without relying much on the other people.

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:

- 1) 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.
- 2) 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 individuals involvement 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 is entrepreneurship 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.

Relating Entrepreneurship to Economic Growth

The impact of entrepreneurship on economic performance have generated an extensive literature. The role of entrepreneurship on economic growth began with the ideas of Adam Smith (1776) whose overriding goal was to understand the wealth-creation process whereas division of labor is limited by the extent of the market. As market grew, entrepreneurship



would lead to innovation, which would lead to an increasing division of labour and increased productivity. However, entrepreneurship has not played a central role in economic theory. Traditionally, the economic output of a country is seen as a function of capital and labour inputs, combined with technological change (Solow 1956). The standard production function used, shows that economic output (Y) is a function of the sum of labour and capital inputs, and the level of technological progress. The model is built around a standard CRS production function, with given levels of capital and labor, growth only occurs through the expansion of knowledge, i.e. we have technological progress. The economy eventually reaches its equilibrium of the balanced growth path where output, capital and labour are growing at a constant rate. In Solow model, the growth rate is completely determined by advances in knowledge or the technological progress.

In traditional models of economic growth, investment in capital, labour and technology is sufficient to realize economic growth. New models of economic growth see these investments as a necessary complement to entrepreneurship, but not as a sufficient explanation for economic growth in its own right (Nelson and Pack 1999). Some could possibly detect the existence of an implicit entrepreneur included by the notion of knowledge. Nevertheless, knowledge is incompletely defined in the model (Karlsson, Friis and Paulson 2004). Moreover, as pointed out by Romer (1990), since the growth rate of knowledge is exogenously given, growth is modeled by assuming its existence. This has generated the development of endogenous growth models. An element of endogenous growth models which distinguishes them from the Solow model, is that knowledge is modeled as being endogenous where growth is generated by investments in knowledge and the models outline the determinants in investment decisions in knowledge. Furthermore, Lucas (1988) differentiated between physical and human capital. This implies that the relative importance of capital could be substantially more important than acknowledged by the Solow model, especially if there are positive externalities in (human) capital accumulation.

While there are different types and sources of technology or knowledge, such as basic scientific research, R&D, innovation or learning by doing, the entrepreneur does not hold an explicit position in endogenous growth models such as Romer (1986, 1990) and Lucas (1988). However, Grossman and Helpman (1994) pointed out that long-term growth process is determined by purposive, profit-seeking investment in knowledge. The act of seeking profits by shifting resources to achieve improvements in technology can be seen as an entrepreneurial act because the outcome of the investments is uncertain. However, it is not common for endogenous growth models to explicitly address the issue of entrepreneurship as a driving force of technological and economic development. The more recently developed models by Aghion and Howitt (1992, 1997, 1998) have firms investing resources in research to achieve a new product that render the previous outdated product. In their model, capital is excluded from the basic model and growth results from technological progress, being a result



from competition among firms that generate innovations. Firms are motivated by the prospect of temporary monopoly rents after a successful innovation is patented.

Conclusion :

Paradoxically, a significantly high number of entrepreneurs may lead to fierce competition and loss of career choices for individuals. With too many entrepreneurs, levels of aspirations usually rise. Owing to the variability of success in entrepreneurial ventures, the scenario of having too many entrepreneurs may also lead to income inequalities, making citizens more – not less – unhappy. However The interesting interaction of entrepreneurship and economic development has vital inputs and inferences for policy makers, development institutes, business owners, change agents and charitable donors. If we understand the benefits and drawbacks, a balanced approach to nurturing entrepreneurship will definitely result in a positive impact on economy and society. Entrepreneurship puts new business ideas into practice. In doing so, it creates jobs that facilitate personal development. With their innovative and disruptive ideas, entrepreneurs can tackle social problems too. It's a worthy pursuit to consider, but if it's not for you, see how to pass down its principles to the next generation and enrol in How to Encourage and Teach Our Children Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as "an economy is the effect for which entrepreneurship is the cause"

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