

# ENTREPRENEURSHIP – A WAY FOR ECONOMIC DEVELOPMENT AND GROWTH OF INDIA

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## ABSTRACT

Entrepreneurship is one of the most important inputs in the economic development of a country. Entrepreneurs play a central role in the economy by establishing firms, which in turn create markets and organizations. An individual engages in entrepreneurial activities before the firm is established and then becomes an owner after the firm is established. In the case of India, Entrepreneur have performed below expectation due to a combination of different problems themselves through environmental related factors, instability of governments and frequent government policy changes etc. Entrepreneurship Promotions should thus ensure the availability or possession of managerial capacity and acumen before pursuing financial resources for the development of the respective enterprise. The aim of the paper is to develop and analyze the contributions of entrepreneurship in the economic development in India. Whereas both the positive as well as the negative impact of entrepreneurship on the economy has been discussed. This can be explained by the fact that India is very much a service-based economy that facilitates small-scale firms. Although the level of entrepreneurship is increasing over time, the quality of the small firms remains rather stable; the share of registered firms remains equal over time. Given the importance of high-quality entrepreneurship for economic development, it seems that increasing the quality of entrepreneurship should be the main focus of policy measures.

**Keywords:** Entrepreneurship, Entrepreneurs, Economic Development, Economic Growth, India

## INTRODUCTION

“An entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for different business of service.”

**Peter Drucker**

To put it very simply an entrepreneur is someone who perceives opportunity, organizes resources needed for exploiting that opportunity and exploits it. Laptops, mobile phone, Motor Bikes, Credit Cards, Courier Service, and Ready to eat Foods are all examples of entrepreneurial ideas that got converted into products or services.

‘A systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation.’

**Peter Drucker**

Entrepreneurship is the practice of starting new organizations or revitalizing nature organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is a creative human act involving the mobilization of resources from one level of productive use to a higher level of use. "It is the process by which the individual pursue opportunities without regard to resources currently controlled." Entrepreneurship involves a willingness to take responsibility and ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is sensing opportunities, while others see chaos, contradiction, and confusion. Essence of Entrepreneurship is going against time with maturity and serving as a change agent.

Entrepreneurship is considered to be a significant determinant of economic development. New entrepreneurial activities play a vital part in the process of creative destruction that fosters innovation, employment, and growth. While India has traditionally been an entrepreneurial country, it fares poorly in numerous global studies exploring the entrepreneurial and business potential of countries but, on the other hand on the most conservative basis, our domestic consumption, in virtually any sector, has the potential to at least double, or treble, from current levels – perhaps, just to catch up with a country like China. Then, there is the entire global opportunity, across diverse sectors internationally, the "Made in India" tag is now an increasingly respected brand, valued for quality, reliability, and competitiveness. Truly, with economic reforms in the country, and with the virtual removal of all trade barriers, the world is now our market and our opportunity. The pursuit of these opportunities requires an indomitable spirit of entrepreneurship. Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high-profile" entrepreneurial ventures seek venture capital or angel funding in order to raise capital to build the business. Angel investors generally seek returns of 20-30% and more extensive involvement in the business.

Economic development of a country is supported by entrepreneurship in several ways. It is a key contributor to innovativeness and product improvement and a pivotal ingredient to employment creation. Another important aspect to be considered is that in the context of the Indian market, entrepreneurship led economic growth is more inclusive and hence Governments, both at Centre and State level, have been taking initiatives to boost the entrepreneurial ecosystem as they realize the benefits entrepreneurship brings to the economic growth of the country. Economic slowdown is one of the reasons that has led to a downturn in employment opportunities in the country. Unemployment amongst the youth is on the rise and in this regard entrepreneurship is playing a key role in creating jobs. An entrepreneur is not just creating self employment but also building a structure for small to large scale employment. As these enterprises grow, the employment opportunities increase. In India, many start-ups that started out as home based ventures are today employers to hundreds of individuals. A company/entrepreneur with an innovative-idea has the power to build employment and in turn stimulate the economy.

## **ROLE OF ENTREPRENEURSHIP DEVELOPMENT IN ECONOMIC GROWTH**

### **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.

## **Create jobs**

Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when become an entrepreneur, there is one less job seeker in the economy, and then 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.

## **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 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.

## **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.

## **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.

## **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.

## 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, the entrepreneur needs 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.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India. So, there is a very important role for entrepreneurs to spark economic development by starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development.

## SCOPE OF ENTREPRENEURSHIP DEVELOPMENT IN INDIA

In India there is a dearth of quality people in industry, which demands high level of entrepreneurship development programme throughout the country for the growth of Indian economy. The scope of entrepreneurship development in country like India is tremendous. Especially since there is wide spread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment. Results of the 57th round of the National Sample Survey Organization (NSSO) show that unemployment figures in 2003-04 were as high as 8.9 million. Incidentally, one million more Indian joined the rank of the unemployed between 2005-06 & 2007-08. The rising unemployment rate (9.2% 2008 est.) in India has resulted in growing frustration among the youth. In addition there is always problem of underemployment. As a result, increasing the entrepreneurial activities in the country is the only solace. Incidentally, both the reports prepared by Planning Commission to generate employment opportunities for 10 crore people over the next ten years have strongly recommended self-employment as a way-out for teaming unemployed youth. We have all the requisite technical and knowledge base to take up the entrepreneurial challenge. The success of Indian entrepreneurs in Silicon Valley is evident as proof. The only thing that is lacking is confidence and mental preparation. We are more of an active kind of a people. We need to get out of this and become more proactive. What is more important than the skill and knowledge base is the courage to take the plunge. Our problem is we do not stretch ourselves. However, it is appreciative that the current generations of youth do not have hang-ups about the previous legacy and are willing to experiment. These are the people who will bring about entrepreneurship in India. At present, there are various organizations at the country level & state level offering support to entrepreneurs in various ways. The Govt. of India & various State Governments have been implementing various schemes & programmes aimed at nurturing entrepreneurship over last four decades. For example, MCED in Maharashtra provides systematic training, dissemination of the information & data regarding all aspects of entrepreneurship & conducting research in entrepreneurship. Then there are various Govt. sponsored schemes for the budding entrepreneurs. Recognizing the importance of the entrepreneur development in economic growth & employment generation, Maharashtra Economic Development Council (MEDC) has identified entrepreneurial development as the one of the focus areas for Council activities two years ago. Various Chambers of Commerce & apex institutions have started organizing seminars & workshops to promote entrepreneurship. Incidentally, various management colleges have incorporated entrepreneurship as part of their curriculum. This is indeed a good development. This



shows the commitment of the Govt. & the various organizations towards developing entrepreneurial qualities in the individuals.

## **ADVANTAGES OF ENTREPRENEURSHIP**

In case being the own boss and building own business aren't enough, we've got eight other advantages that just might be the motivation need to get started:

### **1. Learning to see possibilities everywhere**

To rely on yourself and imagination in order to generate income, this awareness goes with the territory. An entrepreneur has to develop the skill and train his or her mind to stay open and receptive to potential ideas and possibilities. This doesn't mean they get involved in everything that comes their way. They must also learn the skill of discernment – which is also of tremendous value. But whatever the case, being open to many possibilities gives entrepreneurs a tremendous amount of choice.

### **2. Defining your income**

Who decides how much you're getting paid? Chances are, there are several factors at play including your boss, your company's financial budget, the board of directors, the economy, etc. These factors also determine whether will be staying at your job. So even if you're working really hard and giving 110%, your salary might not reflect it. But when an entrepreneur create the relationship between the efforts and income. Plus, the only two factors that determine and define your income are the market forces and you. Even though the market can be harsh judge entrepreneurial skills, once pay attention to, and understand the market's signals, following the current marketing trends, will be able to make informed decisions to keep your business moving in the right direction.

### **3. Flexibility in preparing schedule:**

There are morning people and night owls and others somewhere in between. As an entrepreneur can ditch the rigid schedule. So if a night owl can start work at 4pm. If you love the morning, maybe works starts at 4am. Take a break when the need arises. You are the master of your scheduling domain. The power of creating your own schedule isn't just liberating, but it could be healthier too. Entrepreneurs focus on results rather than on hours worked. And one study found that a results-based work atmosphere leads to greater mental and physical wellness.

### **4. Enjoying the work:**

Even though, as an entrepreneur, you can create your own schedule, it doesn't necessarily mean there won't be long hours. But unlike those energy-draining hours spent working overtime for someone else, it will be long hours spent working toward something you love. And you will reap the rewards.

### **5. Learning to be in the moment:**

How much of the day at work is spent counting the hours and minutes before the lunch break or the end of the day?. One of the great advantages of entrepreneurship is being able to abandon the predictable and monotonous schedule of a traditional office job. Instead, plan and schedule the day, set regular goals and work to achieve them. Of course there will be unexpected situations you'll have to handle. But in

learning how to handle these situations, to get the added benefit of being more present and learning how to live in the moment.

## **DISADVANTAGES OF ENTREPRENEURSHIP**

### **1. To take in and confront risk:**

The career of an entrepreneur remains filled up with uncertainty and risk. The profession of entrepreneurship keeps risk as its prime factor struggling all throughout to attain success. The way to success is to work hard and confront challenges in the right way thus rising above it to shine for glory. Entrepreneurship and risk being the two ends of a coin, the implementation of risk management stands inevitable in the process.

### **2. Takes a lot of time:**

Being an entrepreneur, in a bid to experience the taste of success need to work hard. For a blooming entrepreneur it will take ample amount of time in a day, working day and night on your startup to make it a success.

### **3. No guarantee of success:**

Life of an entrepreneur being tossed on the field of risk definitely does not guarantee 100 successes. It is the entrepreneur who is responsible for turning the entire startup into a success. They may experience loss can also witness the profit.

### **4. Unpredictability at working schedule:**

Being the head of any organization, the entire business responsibilities rests on the shoulder of the entrepreneur. An entrepreneur needs to work all throughout the day planning and crafting strategies, building new and innovative ideas and implementing them, look at the employees of the startup, controlling the risk and so on. Thus, unpredictable working schedule remains very natural.

It may be any time in a day, the entrepreneur may have to rush to meet some immediacy for any requirement in the plans of the startup. Do not get restricted to a fixed time frame like that of office hours.

## **CONCLUSION**

There are ample opportunities in small businesses in India and such opportunities will transform India in the coming future. For such transformation to happen there needs to be support both at the governmental and societal level. For the government it is important to realize that the goal of small business owners will be to remain self-employed. Such people may not need financial assistance but they will need marketing and legal assistance in order to sustain themselves. Practical and cost effective programs need to be developed to address their needs because self-employed people will represent an important segment in economic revitalization. Entrepreneurship development is the key factor to fight against unemployment, poverty and to prepare ourselves for globalization in order to achieve overall Indian economic-progress.

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