

ROLE OF ENTREPRENEURS IN ECONOMIC GROWTH

Dr. N. Rajesh Kumar

Assistant professor

Department of Economics

Thiru Kolanjiappar Govt Arts college, Vriddhachalam
Cuddalore District, Tamil Nadu

ABSTRACT

Entrepreneur involvement in economic activities is marked by a low work participation rate, excessive deliberation in the unorganized sector and employment in less skilled jobs. Any strategy aimed at economic development will be lop-sided without involving women who constitute half of the world population. The entrepreneurs have a strong desire to achieve high goals in business. The victorious entrepreneurs have a positive approach toward things. The entrepreneurs have a good foresight to know about future business environment. One of the qualities of successful entrepreneurs is that they possess and exhibit remarkable perseverance in their pursuits. Entrepreneurship being a difficult journey and the people generally become entrepreneurs because of economic reasons. These include unemployment, completion of education, dislocation, no or less possibility for career and or economic prosperity, etc. The desire to form an enterprise needs to be present before forming an enterprise, but just desire to form an enterprise cannot make an individual an entrepreneur. The entrepreneurs are considered as 'change agents' in the process of industrial and economic development of an economy. The best mobile role that entrepreneurs play in promoting industrial and economic development of an economy is well adduced across the countries. The small scale industrial sector is the second largest sector, which uses human resources next only to that of the agricultural sector in our country. The focus on the small scale industries sector began only during the second Five-Year Plan. The small sector acts as a nursery for the development of the entrepreneurial talents, which in its turn promotes the economic development of the country. The small scale industry mainly caters to the needs of the local markets and mainly depends upon local raw materials and local skills. The training on marketing and information technologies would resolve the success of the industrial units through District Industrial Centers.

KEY WORDS

Entrepreneur - economic - participation - employment - business environment - Five-Year Plan - small scale industry - agricultural sector - development - prosperity - resources.

Introduction:

The Indian economy has been witnessing a drastic change since mid -1991, with new policies of economic liberalization, globalization and privatization initiated by the Indian government. India has great entrepreneurial potential. At present, entrepreneur involvement in economic activities is marked by a low work participation rate, excessive concentration in the unorganized sector and employment in less skilled jobs. Any strategy aimed at economic development will be lop-sided without involving women who constitute half of the world population. Evidence has unequivocally established that entrepreneurial spirit is not a male prerogative. The entrepreneurship has gained momentum in the last three decades with the increase in the number of entrepreneur enterprises and their substantive contribution to economic growth. The industrial performance of Asia-Pacific region propelled by Foreign Direct Investment, technological innovations and manufactured exports has brought a wide range of economic and social opportunities to entrepreneurs.

Meaning of entrepreneur:

The word 'entrepreneur' has been taken from the French language entrepreneur where it cradled literally means "between-taker" and "go-between" i.e., "to undertake" and meant to designate an organizer of musical or other amusement. The Oxford English Dictionary also defined entrepreneur in a similar way as "the director or manager of a public musical institution, one who 'gets up' entertainment, especially musical performance." Richard Cantillon, an Irishman living in France, was the first who introduced the term 'entrepreneur' and his unique risk – bearing function in economics in the early 18th century. He defined entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.

Entrepreneur as an Innovator

Joseph A. Schumpeter, for the first time in 1934, assigned a crucial role of 'innovation' to the entrepreneur in his magnum opus 'Theory of Economic Development.' Schumpeter considered economic development as a discrete dynamic change brought by entrepreneur by instituting new combinations of factors of production which he called 'innovation.' In other words, entrepreneur is, according to Schumpeter, a 'creative destructor' who creates or causes a dynamic disequilibrium in the economy by taking innovation to commercialization by embedding it in an environment where it did not exist previously.

Hard Work:

Willingness to work hard distinguishes a successful entrepreneur from unsuccessful one. Most of the successful entrepreneurs work hard endlessly, especially in the beginning and the same becomes their habit for their whole life.

Aspiration for High Achievement:

The entrepreneurs have a strong desire to achieve high goals in business. This high achievement motive strengthens them to surmount the obstacles, suppress anxieties, repair misfortunes, and devise expedients and set up and run a successful business.

Highly Optimistic:

The victorious entrepreneurs have a positive approach toward things. They do not get disturbed by the present problems faced by them. They become optimistic for future that the situations will become favorable to business in future.

Foresight:

The entrepreneurs have a good foresight to know about future business environment. In other words, they well visualize the likely changes to take place in market, consumer attitude and taste, technological developments, etc. and take necessary and timely actions accordingly.

Good Organizer:

Various resources required for production are owned by different owners. Then, it is the ability of the entrepreneur who brings together all required resources for setting up an enterprise and then produces goods.

Innovative:

Production is meant to meet the customers' requirements. In view of the changing requirements of the customers from time to time, the entrepreneurs initiate research and innovative activities to produce goods to satisfy the customers' changing requirements and demands for the products.

Firmness:

One of the qualities of successful entrepreneurs is that they possess and exhibit tremendous perseverance in their pursuits. They do not give up their effort even if they fail. They undergo lots and lots of failures, but do not become disheartened. Instead, they take failure as learning experience and make more dedicated and serious effort the next time. And, ultimately they become successful.

Team Spirit:

The word 'Team' refers to: T for Together E for Everyone, A for Achieves and M for More. Team results in synergy. Successful entrepreneurs build teams and work with teammates. In simple words, team is a group of individuals who work in a face-to-face relationship to achieve a common goal. They share collective accountability for the outcome of the team's effort. Working in teams creates synergy and achieves success in its Endeavour's.

The Entrepreneurial Decision Process

Just as a traveler has to pass through a road from starting point to reach to his/ her destination point; an individual also needs to pass through a process from present status to become an entrepreneur. In other words, the entrepreneur has to take a number of decisions in sequential order, call it the entrepreneurial decision process, to leave the present status and become an entrepreneur. Following is an illustrative decision process individuals follow to become entrepreneurs: The present status reasons for changing the present status desire for change from the present status to become entrepreneur Possibilities to become an entrepreneur.

The Present Status

There is an apt saying: "Change is the law of nature and change is the only permanent thing in this world." Yet, change is often resisted because it involves uncertainty which causes fear. It is due to uncertainty, the present state of affair is considered better than the unknown one after the change. As such, leaving the present status and becoming an entrepreneur is not easy as it takes a great deal of preparation and courage to do so. Nonetheless, individuals dare it and become entrepreneurs. Broadly, there are two reasons for individuals to become entrepreneurs: By chance, and By compulsion. As regards choice, individuals working in marketing area become familiar with market and gain experience and, in turn, they decide to start their own business in that market. Sales representatives working in publishing companies generally start their own publishing business and present such example of becoming entrepreneurs by choice. On the other hand, disruption in the present job / status due to retirement lay- off, and other compulsions also compel people to become entrepreneurs. Thus, the idea and decision to become an entrepreneur, i.e. to start one's own business enterprise occurs when an individual perceives and realizes that establishing a new enterprise is desirable for him / her.

Reasons for Changing the Present Status

Entrepreneurship being a difficult journey and the people generally become entrepreneurs because of economic reasons. These include unemployment, completion of education, dislocation, no or less possibility

for career and or economic prosperity, etc. Nonetheless, the personal dislocation is reported as one of the most powerful reasons galvanizing an individual's will to become an entrepreneur.

Present Position to Become Entrepreneur

Evidences are available to believe that the desire to start one's own enterprise and, thus, become an entrepreneur is spawned by some factors like the culture and family one belongs to and the teachers and peers one comes into contact with. Like elsewhere in the world, there are cultures in India also which place a high value on being entrepreneur.

Potential to become an Entrepreneur

The desire to form an enterprise needs to be present before forming an enterprise, but just desire to form an enterprise cannot make an individual an entrepreneur. Also needed is possibility, better call it supportive and facilitative structure, to form an enterprise. Available literature on entrepreneurship indicates that an individual's business background, educational background, previous experience, government attitude, availability of finance and market and, of course, one's role models in business world make it possible to form an enterprise. This is precisely the reason why more enterprises are formed by the individuals belonging to business family background. Similarly, it is also no wonder why more enterprises are established in the places with supporting facilities like roads, communication, transportation, systems, utilities, economic and political stability, finance, and market. Finally, to have someone else successful in business as one's role model also makes enterprise formation possible. The reason is the role model develops the feeling of 'self efficacy' in the individual. That is: "If that person can do and succeed, so can I also". In other words, entrepreneurs are not born, they are developed.

Need for Entrepreneurs

The entrepreneurs are considered as 'change agents' in the process of industrial and economic development of an economy. The best mobile role that entrepreneurs play in promoting industrial and economic development of an economy is well adduced across the countries. In a sense, entrepreneurs are the 'spark plug' who transforms the economic scene of an economy. For example, Japan and United States are developed because of their entrepreneurial development and Bangladesh and Nepal are underdeveloped because of lack of their entrepreneurial development. Within India itself, Gujarat and Punjab are developed because of their entrepreneurial development and Bihar and Odisha are backward or underdeveloped because of the lack of entrepreneurial development. Thus, with entrepreneurs societies prosper, without them they are poorer.

Growth of Small Scale Industries:

The small scale industrial sector is the second largest sector, which uses human resources next only to that of the agricultural sector in our country. The small sector acts as a nursery for the development of the entrepreneurial talents, which in its turn promotes the economic development of the country. A major concentration of the small scale industries units has been in the State of Uttar Pradesh (13.61 per cent), followed by Tamil Nadu (12.38 per cent), Madhya Pradesh (10.78 per cent), Bihar (11.39 per cent), Maharashtra (8.87 per cent), Karnataka (8.13 per cent), Punjab (7.48 per cent), Gujarat (6.78 per cent) and Kerala (7.23 per cent). Tamil Nadu accounted for the largest share of employment in the SSI sector (23.41 per cent) in 2011-2012, followed by Maharashtra (12.38 per cent), Uttar Pradesh (12.73 per cent), Karnataka (8.39 per cent), Delhi (9.38 per cent), Gujarat (7.46 per cent), Punjab (7.54 per cent), Andhra Pradesh (6.58 per cent) and Kerala (7.16 per cent). Maharashtra had accounted for the largest share of fixed investment in the SSI sector the country with 33.31 per cent, followed by Tamil Nadu with 13.03 per cent, Gujarat with 9.69 percent, Karnataka with 7.64 per cent, Uttar Pradesh with 6.47 per cent, Punjab with 5.32 percent and

Kerala with 4.87 per cent. The number of small scale units has increased from 19.12 lakhs in 2011 – 2012 to 136.68 lakhs units in the year 2018–2019. There has been a steady growth in the investments and in production also during the same twenty–year period. The investment and value of production have increased from Rs. 15,229 crores and Rs.106400 crores in 1992-1993 to Rs.1, 45,071 crores and Rs. 6, 95,126 crores respectively in 2019 – 2020 at current price levels. There has been a steady increase compared to the immediately preceding years ranging between 17 to 27 per cent in investment and between 23 to 31 per cent in respect of increase in the value of production. The level of employment is an important variable that significantly influences the economic development of a nation. In a country with more than 100 crores of people, it is feasible to get more employment mainly through small scale units. Employment opportunities provided by the SSI units are highly encouraging as the data reveal that employment has increased from 79.00 lakhs in the year 2011 – 2012 to the level of 322.28 lakhs in the year 2019 – 2020.

The small scale industry mainly caters to the needs of the local markets and mainly depends upon local raw materials and local skills. The small scale industries which have their market operations in areas outside the state or country, and which are already in the export field, are experiencing increased competition in the domestic market on account of the removal of the quantitative restrictions and due to the lowering of the tariff rates. In this scenario of competition, new export markets become difficult to capture, and the small industries are facing serious problems in respect of marketing their products. The performance of small industries on the export front has also been significant. Export has increased from Rs.6489 crores in the year 2011 – 2012 to a remarkable level of Rs.177400 crores in 2019 – 2020. The share of the Small Scale Industries sector's contribution to the total value of export has increased from 28.5 percent to 37.5 percent during the same period. The contribution of the small scale industries sector in the total value of the export of the country has been steadily increasing and many of the important products of exports originate from the small scale sector.

Definition of SSI

The definition of the small scale industries or entrepreneurs is an important aspect of the government's industrial policy as it identifies the target groups of industries from all other industries. The operational definition is based on the investment criterion and according to this criterion, the small scale industries are defined in terms of the value of fixed assets, excluding land and building, although the initial definition was also based on the number of workers. The cut off investment limit for defining a small scale industry was Rs.5 lakhs in the year 1960 and this limit has been periodically changed and at present it is Rs.1 crore. The ancillary units and the tiny units also come under the purview of the small scale industry. A tiny unit is one whose investment in fixed plant and machinery does not exceed Rs.5 lakhs. This operational definition is considered as relevant for discussions in academic circles as well as in making policy decisions.

Small Scale Industries and Five – Year Plans

The plan outlays for the development of the small scale industries from the First Five – Year to the Eleventh Five – Year Plan are presented in table 1.3. The aim of the Five Year Plans is to achieve balanced regional development. Since large scale industries are mainly concentrated in the cities, a dispersion of industries and the consequent balanced development objective would become possible only through the development of the small scale units. To achieve this goal, the Five Year Plans have allocated funds especially for the development of the small scale industries. The various industries policy resolutions of the Central Government have resulted in placing an emphasis on the plan outlays for the small scale industries. The plan outlay share of the small scale industries in the total outlay has been continuously declining with the exception of the annual plan for (1979 – 80). It was mainly due to the industrial policy statement of the year 1977 of the Janatha Government, which gave greater importance to the development of the small-scale industries. Since 1991, the government has been following the logic of liberalization of market forces and

privatization. Since market forces play a dominant role in the liberalized regime, the plan outlay had to be considerably reduced. It has declined to a mere 0.53 per cent in the ninth plan period. Therefore, the present policy of the government has affected the plan outlay provided for the small scale industries.

Classification of Small Scale Entrepreneurs

A common classification is between traditional small scale entrepreneurs and modern small scale entrepreneurs. Traditional small industries include khadi and handloom, village industries, handicrafts, sericulture, coir, etc. Modern small scale entrepreneurs produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronic control system, various engendering products, particularly as ancillaries to the large industries. The traditional small entrepreneurs are highly labour intensive, while the modern small scale units make use of highly sophisticated machinery and equipment. For instance, during 2011-12 traditional small industries accounted for only 15 per cent of the total output but their share in total employment was 57 per cent. In that year, total output of traditional small industries came to be Rs.4420 crores and this output was produced with the employment of 133 lakh workers, the average output of labour in traditional small industries was roughly Rs.3323. As against this, the share of modern small industries in the total output of this sector was 74 per cent in 2014-15 but their share in employment was only 33 percent.

Obviously, these industrial units would be having higher labour productivity. For instance in 2017-18 a total output of Rs 24885 crores was produced by 78 lakh workers in modern small scale industries the average product of labour being Rs.32900. One special characteristic of traditional village industries is that they cannot provide full time employment to workers, but instead can provide only subsidiary or part-term employment to agricultural labourers and artisans. Among traditional village industries, handicrafts possess the highest labour productivity; besides, handicrafts make a significant contribution to earning foreign exchange for the country. Under these circumstances, active encouragement of handicrafts is a must. On the other hand, traditional village and small industries are largely carried on by labourers and artisans living below the poverty line, while modern small industries can provide a good source of livelihood. Hence, if with an expansion of employment, the number of persons living below the poverty line has also to be reduced, then a rapid and much larger expansion of the modern small sector will have to be planned.

Growth of Small Scale Industries in Tamil Nadu

In Tamil Nadu, the growth of small scale industries is in consonance with the national plans and their objectives. The objective of Small Scale Industries units is to bring about a balanced regional development, to tap the potential at the block level promoting entrepreneurship, to generate employment and to induce personal savings. The focus on the small scale industries sector began only during the second Five-Year Plan. A systematic programme for the development of the small scale sector was formulated and there was also a concentration on the development of ancillary units during the second plan period. The SSI units under the various Five-Year have received varied assistance such as marketing assistance, financial assistance, assistance by way of tax exemptions, and subsidies and so on. During the second Five Year Plan, improvements in infrastructural facilities were made for the development of the SSI sector and a number of industrial estates were also started and many innovative measures had been undertaken. The Third Five Year Plan helped the SSI units to diversify, their production and more number of complex items and goods were exclusively reserved for the SSI sector. The Third Five Plan saw the formation of the Tamil Nadu Small Industries Development Corporation (TANSI), a Government of Tamil Nadu undertaking. The next Three Five Year Plans followed the pattern set by the earlier plans. A close analysis of the data reveals that both in India as a whole and in Tamil Nadu state the same pattern of growth in terms of the increase in the number of units has taken place. At the all India level, the units have increased from 6787 thousands in the year 1991-92 to 14761 thousands in the year 2010 –2011. The percentage share of the number of units in Tamil

Nadu had increased continuously and steadily from 2.0 per cent in 1991 – 92 to 5.0 per cent in 2019 – 2020. This is not a surprising trend since Tamil Nadu is one of the leading industrial states in India.

Development of Entrepreneurs

A number of measures have been suggested by the Confederation of Engineering Industry (CEI) to help and promote the development of the Small Scale Industries units in the state. The measures include the establishment of the Trade Information Centre, to provide information on marketing opportunities, support and information on the latest available technology. The state government should provide market support through the price preference and the consortium approach. The Tamil Nadu government had announced a 17 per cent price preference to the Small Scale Industries units in Tamil Nadu. The government should assist the Small Scale Industries units to join together and get the orders from the Neyveli Lignite Corporation, the National Thermal Power Corporation and the like. The Director of Industries should certify the units as a 'consortium' to secure their orders as one group. The Small Scale Industries units should be made to change their manufacturing technology. The setting up of a technology Transfer Centre has been suggested by the Community Economic Development to educate the entrepreneurs on the latest technology and to interact with the Tamil Nadu small-scale industries for mutual co-operation on the technology front. The Center for Entrepreneurial Leadership has suggested that the small-scale industry should through aggressive programmes create greater awareness and educates the entrepreneurs to overcome the early defects and the sickness in the industrial units. For the rehabilitation of the sick units, the government should announce a time-bound revival and rejuvenation plan for leasing the sick units and for changing their product line. If the units could not be revived, the units should be allowed to quit the small scale industries group. A rehabilitation committee has been recommended for the successful implementation of the above strategy. Out of the 9,94,357 villages and urban blocks, 19,579 villages and urban blocks were surveyed to identify the units of unregistered Small Scale Industries sector.

Conclusion

Thus it may be concluded from the analysis that new generation entrepreneurs should take cognizance of the entrepreneurial environment with a practical and theoretical understanding of entrepreneurship. Skill up gradation on aspects like marketing strategies should be constantly updated through proper networking facilities. The training on marketing and information technologies would resolve the success of the industrial units through District Industrial Centers. The mass media influence on social behavior is quite significant. The article has gone into an analyze of the socio-economic background and personal traits of the probable entrepreneurs through the performance of entrepreneurs in their industries. It has been possible, to a large extent, to identify the factors that ultimately distinguished between good performer and poor performer of entrepreneurship.

REFERENCES

1. Alexander P.C., *Industrial Estates in India*, Bombay, 1963, p.49.
2. Anil Metha, *Organisation and Working of Industrial Estates*, New Delhi, 1987, p.72
3. Ashok Kumar, S., *Entrepreneurship in Small Industries*, New Delhi, 1990, p.68
4. Bhanshali S.G., *Entrepreneurship Development*, Mumbai, 1987, p.96
5. Bharti R.K., *Industrial Estates in Developing Economy*, New Delhi, 1978, p.111.
6. Bredo, William, *Industrial Estates*, Bombay, 1992, p.83.
7. Desai Vasanth, *Organisation and Management of Small Scale Industry*, Bombay, 1979, p.120.
8. Dewethi, K.K., Varma, J.P. and Sharma, S.K.L., *Indian Economics*, New Delhi, 1994, p.177.

9. Gangadara Rao N., *Entrepreneurship and Growth of Enterprise in Industrial Estates*, New Delhi, 1986, p.97.
10. Khan, R.R., *Entrepreneurial Management*, Bombay, 1985, p.65.
11. Lakshmana Rao.V, *Industrial Entrepreneurship in India*, Allahabad, 1986, p.158.
12. Prasain.G.P and Das.N.C., *Role of District Industries Centre in Entrepreneurial Development in Manipur*, New Delhi, 2000, p.67.
13. Shiva Ramu.S, *Entrepreneurship and Enterprise Growth*, New Delhi, 1995, p.76.
14. Srivastav, S.B., *A Practical Guide to Industrial Entrepreneurs*, New Delhi, 1981, p.84.
15. Vasanth Desai, *Organisation and Management of Small Scale Industry*, Bombay,1979, p.200.

