

Role Of Entrepreneurship In Economic Development

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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. Entrepreneurs are like gamblers, and like any gambler, their chances of winning increase if they have the right cards. The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function .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 .If we understand the benefits and drawbacks, a balanced approach to nurturing entrepreneurship will definitely result in a positive impact on economy and society.

Keywords:- Entrepreneur, Economic development, balanced regional development

Entrepreneur meaning(Introduction)

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. 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. An entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always look for high achievements. He is the catalyst for social change and works for the

common good. They looks for opportunities, identifies them and seizes them mainly for economic gains. An action oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture.

According to economist Joseph Alois Schumpeter (1883-1950), “entrepreneurs are not necessarily motivated by profit but regard it as a standard for measuring achievement or success.”

Examples of Entrepreneurs

- ✓ Bill Gates, founder of Microsoft. There are probably not many people that have not been touched by one of his products, such as Microsoft Windows, Microsoft Office and Internet Explorer.
- ✓ Steve Jobs, co-founder of Apple computers, which produces Macs, iPods and iPhones, as well as Apple TV.
- ✓ Mark Zuckerberg, the founder of Facebook.
- ✓ Pierre Omidyar, founder of eBay.
- ✓ Arianna Huffington, founder of the Huffington Post, a well-known online news site.
- ✓ Caterina Fake, co-founder of Flickr, which hosts images and videos on the internet.

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.

- ✓ 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.
- ✓ 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 iPhone changed the world of smart phones.

- ✓ 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.
- ✓ 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.

Need for Entrepreneurship Development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the

potentials of the countries availability of resources such as labour, capital and technology.

Role of entrepreneurs in Economic Development

The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favourable opportunity conditions than in economies with relatively less favourable opportunity conditions.

Adam Smith, the foremost classical economist, assigned no significance to entrepreneurial role in economic development in his monumental work 'An Enquiry into the Nature and Causes of the Wealth of Nations', published in 1776. Smith extolled the rate of capital formation as an important determinant of economic development.

The problem of economic development was ergo largely the ability of the people to save more and invest more in any country. According to him, ability to save is governed by improvement in productivity to the increase in the dexterity of every worker due to division of labour. Smith regarded every person as the best judge of his own interest who should be left to pursue his own advantage. According to him, each individual is led by an 'invisible hand' in pursuing his/her interest. He always advocated the policy of laissez-faire in economic affairs.

In his theory of economic development, David Ricardo identified only three factors of production, namely, machinery, capital and labour, among whom the entire produce is distributed as rent, profit and wages respectively. Ricardo appreciated the virtues of profit in capital accumulation. According to him, profit leads to saving of wealth which ultimately goes to capital formation.

Thus, in both the classical theories of economic development, there is no room for entrepreneurship. And, economic development seems to be automatic and self-regulated. Thus, the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. They took the attitude: "the firm is shadowy entity and entrepreneur even shadowed or at least is shady when he is not shadowy." The economic history of the presently developed countries, for example, America, Russia and Japan tends to support the fact that the economy is an effect for which entrepreneurship is the cause.

The crucial role played by the entrepreneurs in the development of the Western countries has made the people of underdeveloped countries too much conscious of the significance of entrepreneurship for economic development. Now, people have begun to realize that for achieving the goal of economic development, it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the country's available resources – labour, technology and capital.

Schumpeter (1934) visualised the entrepreneur as the key figure in economic development because of his role in introducing innovations. Parson and Smelser (1956) described entrepreneurship as one of the two necessary conditions for economic development, the other being the increased output of capital.

Harbison (1965) includes entrepreneurs among the prime movers of innovations, and Sayigh (1962) simply describes entrepreneurship as a necessary dynamic force. It is also opined that development does not occur spontaneously as a natural consequence when economic conditions are in some sense 'right': a catalyst or agent is always needed, and this requires an entrepreneurial ability. It is this ability that he perceives opportunities which either others do not see or care about. Essentially, the entrepreneur searches for

change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees.

Akio Morita, the President of Sony who adopted the company's products to create Walkman Personal Stereo and India's Gulshan Kumar of T-Series who skimmed the audio-cassette starved vast Indian market are the clearest examples of such able entrepreneurs.

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions than in the economies with relatively less favourable opportunity conditions. Viewed from the opportunity conditions point of view, the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non-existence of minimum social and economic overheads, are less conducive to the emergence particularly of innovative entrepreneurs. In such regions, entrepreneurship does not emerge out of industrial background with well developed institutions to support and encourage it. Therefore, entrepreneurs in such regions may not be an "innovator" but an "imitator" who would copy the innovations introduced by the "innovative" entrepreneurs of the developed regions (Brozen 1954-55).

In these areas, according to McClelland's (1961) concept of personality aspect of entrepreneurship, some people with high achievement motivation come forward to behave in an entrepreneurial way to change the stationary inertia, as they would not be satisfied with the present status that they have in the society.

Under the conditions of paucity of funds and the problem of imperfect market in underdeveloped regions, the entrepreneurs are bound to launch

their enterprises on a small-scale. As imitation requires lesser funds than innovation, it is realized that such regions should have more imitative entrepreneurs. And, it is also felt that imitation of innovations introduced in developed regions on a massive scale can bring about rapid economic development in underdeveloped regions also. But, it does not mean that such imitation requires in any way lesser ability on the part of entrepreneurs.

In this regard, Berna opines: "It involves often what has aptly been called 'subjective innovation', that is, the ability to do things which have not been done before by the particular industrialists, even though unknown to him, the problem may have been solved in the same way by the others." These imitative entrepreneurs constitute the main spring of development of underdeveloped region. Further, India which itself is an underdeveloped country aims at decentralized industrial structure to militate the regional imbalances in levels of economic development, small-scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development.

It is unequivocally believed that small-scale industries provide immediate large-scale employment, ensure a more equitable distribution of national income and also facilitate an effective resource mobilization of capital and skill which might otherwise remain unutilized. The establishment of Entrepreneurship Development Institutes and alike by the Indian Government during the last decades is a good testimony to her strong realisation about the premium mobile role of entrepreneurship plays in economic development of the country.

The important role that entrepreneurship plays in the economic development of an economy can now be put in a more systematic and orderly manner as follows:

- ✓ **Promotes Capital Formation:-**
Entrepreneurs promote capital formation by mobilising the idle savings of public.

They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

- ✓ **Creates Large-Scale Employment Opportunities:-**Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up. of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation. Growing unemployment particularly educated unemployment is the problem of the nation. The available employment opportunities can cater only 5 to 10 % of the unemployed. Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus entrepreneurship is the best way to fight the evil of unemployment.
- ✓ **Promotes Balanced Regional Development:-** Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes

balanced regional development. When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

- ✓ **Reduces Concentration of Economic Power:-**Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.
- ✓ **Wealth Creation and Distribution:-**It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.
- ✓ **Increasing Gross National Product and Per Capita Income:-**Entrepreneurs are always on the look out for opportunities. They explore and exploit opportunities,, encourage effective resource mobilisation of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth. . An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus entrepreneurship increases the national income.

- ✓ **Improvement in the Standard of Living:-**Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.
- ✓ **Promotes Country's Export Trade:-**Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.
- ✓ **Induces Backward and Forward Linkages:-**Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.
- ✓ **Facilitates Overall Development:-**Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.
- ✓ **Creating innovation :-**An entrepreneur is a person who always look for changes. apart from combining the factors of production, he also introduces new ideas and new combination of factors. He always try to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.
- ✓ **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. Businesses in associated industries, like call centre 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 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 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 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, smart phones and their smart apps have revolutionized work and play across the globe. Smart phones are not exclusive to rich countries or rich people either. As the growth of China's smart phone 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.

- ✓ **Personal Growth:-**Entrepreneurship has created millions of good jobs. In a startup workplace, jobs often call for creativity and collaboration, leading to personal development. Those exposed to entrepreneurship have higher confidence and greater independence. Not bound by the hierarchy and restrictions of large corporations, young entrepreneurs can take on greater responsibility, work flexible schedules and use creative solutions to problem solve. The freedom associated with entrepreneurship comes with certain challenges. Entrepreneurs often work long hours and risk their personal assets in developing their business.

- ✓ **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"

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 enroll 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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