Role of Entrepreneurs in Stabilizing Economy

(Entrepreneurship Role of Economic Development)

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Abstract
Entrepreneurship and economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Whatever be the form of economic and political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has fabulous potential in a developing country like India. So, statistical data and its analyses of several countries show that small industries have grown faster than large industries over the last couple of decades. Large industries first lost jobs while small industries created new workplaces. The crux of the article is to examine the role of entrepreneurship in economic development. The focus is on small scale industries, which led to the main source of employment in the country.

Introduction
"Business opportunities are like buses, there's always another one coming."
- Richard Branson, founder of Virgin Enterprises

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
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

**Literature Review**

The traditional neoclassical theory of economic growth was first developed by Robert Solow in his 1956 paper “A Contribution to the Theory of Economic Growth” (Todaro and Smith, p. 128 and p. 139). In this paper, Solow argues that economic growth is a function of two inputs - the levels of capital and labor in a given area. The exact nature of this function is determined by the technological possibilities available to the society in question (Solow, p.66). Thus, under this theory, the economic growth of a given country is determined by the amounts of labor and capital that country possesses and the technological possibilities to which that country has access (i.e., the level of knowledge within that country). More recently, many economists have come to believe that market-friendly government policies are another important cause of economic growth.

Robert Solow in his 1956 paper “A Contribution to the Theory of Economic Growth” (Todaro and Smith, p. 128 and p. 139). In

Hans Pitlik opens his paper “The Path of Liberalization and Economic Growth” 1Smith: The Role of Entrepreneurship in Economic GrowthPublished by Digital Commons @ IWU, 2010 by saying that numerous empirical studies have shown that pro-market government policies have a positive effect on the economic growth of a given country. His explanation for this is that pro-market policies increase the benefits individuals receive for performing activities that are conducive to economic growth (Piltik, p.57). This theory implies that entrepreneurship may be significantly influenced by market-friendly government policies. This theory is supported by the findings of

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Matthieu Chemin in his article “The Impact of the Judiciary on Entrepreneurship: Evaluation of Pakistan’s ‘Access to Justice Programme’.” In this article, Chemin finds that a 2002 reform of the Pakistani judicial system resulted in a significant increase in the level of entrepreneurial activity there (Chemin,). This suggests that some government policies can increase entrepreneurship, and that entrepreneurship is influenced by at least one of the traditional factors of economic growth. However, the fact that entrepreneurship can be influenced by some of the traditional factors of economic growth does not necessarily rule it out as a separate predictor of economic growth. If there is even one factor influencing entrepreneurship not included among the traditional factors of economic growth and entrepreneurship does have an effect on economic growth, then entrepreneurship should be regarded as an additional separate factor of economic growth. The reason for this is that, if entrepreneurship is affected by one or more factors apart from the traditional factors of economic growth and entrepreneurship has an effect on economic growth, then entrepreneurship is essentially acting as a proxy for these other factors. Including entrepreneurship as an independent factor of economic growth would thus ensure that the influence of these other factors on economic growth was at least partly taken into account. There have been many theories which suggest that entrepreneurship is indeed influenced by factors beyond those traditionally thought to influence economic growth. One of these theories can be found in the ideas of Joseph Matthieu Chemin in his article “The Impact of the Judiciary on Entrepreneurship: Evaluation of Pakistan’s ‘Access to Justice Programme’.”

Economics and the Entrepreneur

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. The major roles played by an entrepreneur in the economic development of an economy are discussed in a systematic and orderly manner as follows.

- Promotes Capital Formation:
- Creates Large-Scale Employment Opportunities
- Facilitates Overall Development:
  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
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.

Role of entrepreneur in economic growth:

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- Promotes Capital Formation:

- Creates Large-Scale Employment Opportunities:

- Promotes Balanced Regional Development:

- Reduces Concentration of Economic Power:

- Wealth Creation and Distribution:

- Increasing Gross National Product and Per Capita Income:

- Improvement in the Standard of Living:

- Promotes Country's Export Trade:

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 percent 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.

**Conclusion**

The Indian economy provides a revealing contrast between how individuals react under a government-controlled environment and how they respond to a market-based environment. The evidence presented here suggests that recent market reforms encouraging individual enterprise have led to higher economic growth in that country. The reasoning here is not new, although it is refreshing to discover that this “tried-and-true” reasoning applies to developing as well as to developed nations. Specifically, reliance upon a free market, with its emphasis upon individual self-interest in survival and wealth accumulation, can yield a wide range of economic benefits. In India those benefits have included, among other things, increased economic growth, reduced inflation, a smaller fiscal deficit, and higher inflows of the foreign capital needed for investment. 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

- Education Directed specifically at developing entrepreneurial skills,
- Financing of Entrepreneurial efforts, and
- Networking among potential entrepreneurs and their experienced counterparts.

Obviously, the government can play a substantial role in helping to provide these types of opportunities. It can also provide the appropriate tax and regulatory policies and help the citizens of India to understand the link between entrepreneurial efforts and economic prosperity. However, its role overall must be minimized so that the influence of the free market and individual self-interest can be fully realized. Only time will tell if
increased entrepreneurial activities in India will actually yield the economic benefits found in so many other nations of the world. Should India decide to pursue that avenue of economic development, then future research needs to examine the results of India’s entrepreneurial programmed. Perhaps more important, that research also needs to determine how India’s success in entrepreneurial efforts might differ from those pursued in developed nations.

Reference
1] www.gemcomsortium.org