

A study on the role of Entrepreneurship in Economic Development of a country

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Abstract - The term 'entrepreneur' is derived from French, which means 'between taker' or 'go-between'. In common parlance, entrepreneur refers to an individual who "undertake" the risk of new enterprise. Notable early French, British and Austrian economists wrote enthusiastically about entrepreneurs as the 'change agents' of progressive economies. The first economist to have used the term entrepreneurship was 'Richard Cantillon', a French economist of Irish descent. He is credited with giving the concept of entrepreneurship a central role in economics. Later, Adam Smith in his famous book 'Wealth of Nations' introduced the word 'enterpriser' as an individual who undertook the formation of an organization for commercial purposes. Adam Smith viewed entrepreneur as instrumental to economic change, thereby becoming the economic agents who transformed demand into supply. Entrepreneurship is considered as an important pre-requisite for economic development. Entrepreneurs, who imbibe the quality of entrepreneurship, play a major role not only in organizing production, but in a broader sense, promote the process of economic development. According to Joseph Schumpeter the function of an entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or more generally an untried method of producing a new commodity or producing an old one in a new way, by opening up a new source of supply of raw materials or new outlet for product by organizing an industry. To undertake such new things is not an easy task and constitutes a distinct economic function, first because they lie outside of the routine tasks which everybody understands and secondly, because the environment resists in many ways that vary according to social conditions from simple refusal either to finance or buy new things to physical attack on man who tries to produce it. To act with confidence beyond the range of familiar options and to overcome the resistance requires aptitudes that are present in only a small fraction of the population and that define the entrepreneurial type as well as the entrepreneurial function. Hence this paper traces out the role of entrepreneur in economic development of a country.

Index Terms - Enterprise, Risk Bearing, Uncertainty, Employment generation, Output.

INTRODUCTION

Joseph Schumpeter described entrepreneurship as a force of "creative destruction" whereby established ways of doing things are destroyed by the creation of new and better ways. Schumpeter described entrepreneurship as a process and entrepreneurs as innovators who use the process to shatter the status quo through new combinations of resources and new methods of commerce. Schumpeter thus was undoubtedly more responsible than any other economist of his time for the revival of the interest on the functions and characteristics of the entrepreneur. He saw entrepreneur as innovator-the individual who introduces new production functions. Schumpeter brought into sharp focus the role of innovation as an essential entrepreneurial function. He argued that the entrepreneur changes the conditions of supply, combines resources in new ways and thereby sets a new production function. According to him, innovations that produce upswings in economic activity include one or more of the following.

1. Introduction of new goods,
2. Introduction of a new method of production,
3. The opening of a new market,
4. The conquest of a new source of raw material and
5. The creation of a new type of industrial organization.

Entrepreneur is the king pin of the growth process. He is the propeller of change and a catalyst. As Meier and Baldwin have put it, "Development does not occur spontaneously as a natural consequence when economic conditions are in some sense right, a catalyst or agent is needed, and this requires entrepreneurial activity. The development or underdevelopment is the reflection of the abundance or scarcity of

entrepreneurship in any society". Entrepreneurship entails the ability to identify the resources, to perceive their economic potential, the ability and willingness to utilize these resources and to invest in their development deferring immediate rewards in favour of future investment. Needless to say, that all these activities associated with entrepreneurship bring forth economic and social development.

CONTRIBUTIONS OF AN ENTREPRENEUR IN ECONOMIC DEVELOPMENT

According to G. Anjaneya Swamy (2010) entrepreneurship plays a dominant role in the nation's advancement in the following ways:

Economic Independence: The desire for independence is one of the strong forces that drive an individual to seek entrepreneurial careers. They prefer independence to dependence. They believe in self-reliance. They do not like working for others. The love for pursuing goals to realize their potential results in the creation of organizations which did not exist before. New processes, products and services are created. Social changes are brought out. Thus, entrepreneurial activities displayed by motivated individuals, on the whole, help the nation to attain self-reliance and to gain respectability. At the micro level too, promotion of entrepreneurship fosters economic empowerment of the people who otherwise would look up to the Government for their livelihood. This has amply been demonstrated in many regions of the country by the various NGOs and developmental agencies' initiatives by spreading micro and tiny enterprises through the availability of micro-credit. These experiences show empowerment of people which in turn contributes to the empowerment of a nation over a period of time.

Wealth Creation: Entrepreneurs create organizations. They bring into use those resources which otherwise would remain idle. They combine the available resources judiciously in such a way that new combinations of resources are conceived. New asset bases are created through which wealth creation process is ignited. Entrepreneurial function thus is appropriately compared to that of a spark plug in an internal combustion engine. With one decision taken by an individual to strike, the whole process is set in motion. An organization is born when economic activity is triggered. Along with his/her unit, a number

of ancillary/supporting services units come into existence. The whole place/region, depending on the size, volume and scope of enterprise gets new life.

Employment Generation: An entrepreneur is a 'job makers and not job seekers. Bulk of the jobs is created by entrepreneurial ventures. Compared to the western industrialized nations, creation of jobs for millions of young women and men is a major challenge faced by many Asian nations, given the size of populations in these countries. The problem is more acute for nations like India, which is the second largest populous nation, next to China in the world. Government cannot by itself absorb such a large number of people in gainful employment. Government's primary task is governance of the nation. Therefore, much is expected through private initiative. Entrepreneurs are called upon to play an important role in job creation through their initiative. Meaningful employment to the vast masses is possible only through the entrepreneurial ventures across the nation-be it organized or unorganized, manufacturing or services, urban or rural sectors. Apart from industrial entrepreneurship, social entrepreneurship aimed at economic and social empowerment of rural, less privileged weaker sections and illiterate people through NGOs and self-help groups (SHGs) is gaining increased attention, of late. **Improvement in Standard of Living:** Imagine for a while how human life would have been, but for the contributions of Thomas Edison, Wright brothers, Alexander Graham Bell, down to the present-day innumerable entrepreneurs whose contributions touch almost every aspect of human life-be it products or services like healthcare, transportation, banking and insurance, tele-communications, media and entertainment and social awakening. Thus, the progress of the mankind is invariably interwoven with the achievements of the entrepreneurs. It is everybody's knowledge that today we are just a mouse click away from the supply of many products and services.

Balanced Regional Development: Different regions of the world are endowed with different resources. Nature has been kind to some regions while it is harsh to some regions leading to wide variances in respect of economic development. Such variances obviously contribute to the differences in the economic and social development causing social tensions leaving a feeling of economic and social exclusion among the people of less developed regions. One of the root

causes for the social tensions, disturbances and upheavals is the uneven development of various regions. The problem is more pronounced in developing nations like India. The divide between urban and rural, developed, and underdeveloped states as reflected in the wide disparities in income and consumption levels, quality of life and general awareness have become issues of major concern to the policy makers.

Government has accordingly initiated several measures to address this lopsided growth and uneven distribution of income generating opportunities. One important initiative in this direction is through the promotion of entrepreneurship in the less developed regions, empowerment of the people belonging to less privileged segments of the society. The emphasis now is to reach out to such sections through appropriate entrepreneurship models. Provision of capital, incentives, schemes, tax rebates, development, and infrastructural facilities, launching of entrepreneurship development campaigns all aim at promoting entrepreneurial ventures in the less developed regions. 'Inclusive Growth', thus has become the central issue of policy making in the recent past.

Promotion of entrepreneurship consequently has emerged as a political tool to address the imbalances and to ensure balanced regional development. The role of entrepreneurship in economic development involves more than just increasing per capita output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more to be divided by the various participants. The factor responsible for change, development, and ultimately economic growth is innovation. Innovation is the key for not only in developing new products (or services) for the market but also in stimulating investment interest in the new ventures being created. This new investment works on both the demand and supply sides of the growth equation: the new capital created expands the capacity of growth (supply side), and the resultant new spending utilizes the new capacity and output (demand side).

THEORIES OF ENTREPRENEURSHIP AND ENTREPRENEURIAL MOTIVATION

This section focuses on the major theories of entrepreneurial motivation. As human behaviour is largely motivated to accomplish a certain goal or objective, an attempt is made to find out factors that actually drive the entrepreneurs to success.

The main features of these theories are presented as follows:

David Mc Clelland's Needs Theory of Motivation: David McClelland (1961) is most noted for describing three types of motivational needs, elaborated in his book, *The Achieving Society*:

- Achievement motivation (n-ach) – The need for Achievement
- Authority/power motivation (n-pow) – The need for Power
- Affiliation motivation (n-affil) – The need for Affiliation

These needs are found in varying degrees in all workers and managers, and this mix of motivational needs characterizes a person's behavior, both in terms of being motivated and in motivation others.

1. The need for achievement (n-ach): The n-ach person is 'achievement motivated' and therefore seeks achievement, attainment of realistic but challenging goals, and advancement in the job. There is a strong need for feedback as to achievement and progress, and a need for a sense of accomplishment.
2. The need for authority and power (n-pow): The n-pow person is 'authority motivated'. This driver produces a need to be influential, effective and to make an impact. There is a strong need to lead and for their ideas to prevail. There is also motivation and need towards increasing personal status and prestige.
3. The need for affiliation (n-affil): The n-affil person is 'affiliation motivated' and has a need for friendly relationships and is motivated towards interaction with other people. The affiliation driver produces motivation and need to be liked and held in popular regard. These people are team players.

ENTREPRENEURSHIP INNOVATION THEORY

Joseph Schumpeter a pioneer in innovation management expressed in his book "Capitalism, Socialism and Democracy," - the opening up of new

markets, foreign or domestic, and the organizational development - illustrate the same process of industrial mutation, that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.” He called this process Creative Destruction that explained how the capitalist system was affected by market innovations.

THE PUSH AND PULL THEORIES OF ENTREPRENEURSHIP

Empirical research on entrepreneurial motivation has produced two broads, competing hypotheses. These are popularly known as the push and pull theories of entrepreneurial motivation.

Proponents of the push theory argue that people are pushed into entrepreneurship by negative situational factors such as dissatisfaction with existing employment, loss of employment and career setback. These negative events, they contend, tend to activate latent entrepreneurial talent and push individuals into business activities. Psychological evidence supporting the push theory includes in addition to direct studies of the relationship between job satisfaction and the decision to become an entrepreneur, studies which variously describe entrepreneurs as ‘misfits’, ‘rejects’ from society and displaced individuals. According to this group of studies, entrepreneurs perceive their environment as hostile and turbulent. In order to prove their self-worth in an unfavorable situation, they react by establishing their own businesses.

The alternative hypothesis, the pull theory postulates that the existence of attractive, potentially profitable business opportunities attracts individuals into entrepreneurial activities. The pull theory is also supported by many studies. Mancuso J. R. (1973), one of the main exponents of this theory presents evidence suggesting that a high percentage of adult entrepreneurs were already active in business during childhood. From this conclusion follows that entrepreneur have the ability to perceive profitable opportunities even when young, before they have experienced a negative career encounter. It is also firmly established that a high percentage of entrepreneurs come from homes where one or more family members have had an entrepreneurial experience. These families create an environment in which entrepreneurial initiatives are encouraged.

Migration Network Theory: The main exponent of this theory was Douglas S. Massey. According to Massey et al (1987) migrations forge networks, which then feed the very migrations that produced them. In effect, migrations in process self-levitate above the conditions that caused them to begin, leading, thereafter and an independent existence. Massey (1988) defines migration networks as “Sets of interpersonal ties that link migrants, former migrants, and non-migrants in origin and destination areas through the bonds of kinship, friendship and shared community origin.”

RESEARCH METHODOLOGY

Objectives of the study:

1. To understand the conceptual framework of entrepreneurship in the Indian context.
2. To explore the contributions of entrepreneurs for the economic development of a nation.
3. To identify important theories associated with entrepreneurship.
4. To ascertain the innovation theory of Schumpeter in the present context.

Type of Research: It is a descriptive study

Type of data: This paper is a desk report. Hence prepared based on secondary data, which has been procured through various books, research articles published in several national and international journals, Websites etc., No primary data has been collected in the process.

FINDINGS OF THE STUDY

- Entrepreneurship and economic growth take place when the economic conditions are favorable;
- Economic incentives are the main motivations for entrepreneurial activities;
- Economic incentives include taxation policy, industrial policy, sources of finance and raw material, infrastructure availability, investment and marketing opportunities, access to information about market conditions, technology etc.
- The term ‘entrepreneur’ is derived from French, which means ‘between taker’ or ‘go-between’.

- The first economist to have used the term entrepreneurship was ‘Richard Cantillon’, a French economist of Irish descent. He is credited with giving the concept of entrepreneurship a central role in economics.
- According to Joseph Schumpeter the function of an entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or more generally an untried method of producing a new commodity or producing an old one in a new way, by opening up a new source of supply of raw materials or new outlet for product by organizing an industry.
- Entrepreneurship results in creation of wealth, helps the country in achieving economic independence, generate employment, in achieving regional balance.

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CONCLUSION

Self-efficacy can be seen as task specific self-confidence. Self-efficacy for a specific task has been shown to be a robust predictor of an individual’s performance in that task and helps to explain why people of equal ability, can perform differently. An individual with high self-efficacy for a given task will put in more effort for a greater length of time persists through setbacks, set and accept higher goals, and develop better plans and strategies for the task. A person with high self-efficacy will also take negative feedback in a more positive manner and use that feedback to improve their performance. This is an important attribute of an entrepreneur.

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