



ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

¹ Dr Prashant Tripathi, ²Dr Priyanka Shukla

¹General Manager, Radio City Group, Lucknow

²Assistant professor Department of Commerce, Dyal singh College (Morning),
University of Delhi

Abstract

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bringing good new ideas to market. Entrepreneurship that proves to be successful in taking on the risks of creating a startup is rewarded with profits, fame, and continued growth opportunities. Entrepreneurship that fails results in losses and less prevalence in the markets for those involved. This paper reviews the role of entrepreneurship in the development of the economy.

Keywords: Entrepreneurship, Economy, economic development.

1. Introduction

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures. [1]

- A person who undertakes the risk of starting a new business venture is called an entrepreneur.
- An entrepreneur creates a firm to realize their idea, known as entrepreneurship, which aggregates capital and labor in order to produce goods or services for profit.
- Entrepreneurship is highly risky but also can be highly rewarding, as it serves to generate economic wealth, growth, and innovation.
- Ensuring funding is key for entrepreneurs: Financing resources include SBA loans and crowd funding.



- The way entrepreneurs file and pay taxes will depend on how the business is set up in terms of structure.

Entrepreneurship and its possible impact on the economy have been studied extensively during the past two decades but the research field still continues to develop and grow. The majority of studies from a variety of scientific disciplines have found empirical evidence for a significant positive macroeconomic impact of entrepreneurship.

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

Starting with practically nothing, an entrepreneur is one who organizes a new venture, manages it, and assumes the associated risk. The term entrepreneur is broadly defined to include business owners, innovators, and executives in need of capital to start a new project, introducing a new product, or expanding a promising line of business [2]. We include technology transfer experts, technologists at leading universities, and consultants and advisors assisting in all aspects of venturing. An entrepreneur's principal objectives are profit and growth, and they will employ formal strategic management practices to achieve them.

2. Evolution of Entrepreneurship

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilization of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force. [3]

To better understand entrepreneurship, it is useful to look back to the early development of capitalism. Capitalism depends on harnessing private motives to produce the goods and services that the public wants as efficiently as possible.

Historian Charles Van Doren leads us to the early roots of “primitive capitalism” in his book *A History of Knowledge: Past, Present, and Future*. He provides insight to the ancient Egyptians, economic life before the peasant, the introduction of the merchant, the king, the rise of the labor markets.



There are 5 types of activities of entrepreneurship:

1. New product innovation or the introduction of a new service
2. New process innovation or new methods of production
3. Market innovation or the opening of new markets
4. Input or resources innovation
5. Organizational innovation, which is the complete restructuring of an entire industry or the breaking up of a monopoly

3. Types of entrepreneurship

Though entrepreneurship is the overall process of developing, launching and running a business, there are many different types of entrepreneurship. People have varying aspirations and visions for the kind of businesses they want to create. Everyone operates their business based on their own personality, skills and characteristics. Some people think that with hard work they can find success, while others may use capital to help them get there. For some entrepreneurs, profits are less important than providing a social good. [4]

Though every type of entrepreneur experiences similar challenges, they may choose to address them differently. Each type of entrepreneur sees challenges in a unique way and has different resources to overcome them.

Here are the different types of entrepreneurship:

- i. Small business entrepreneurship
- ii. Large company entrepreneurship
- iii. Scalable startup entrepreneurship
- iv. Social entrepreneurship
- v. Innovative entrepreneurship
- vi. Hustler entrepreneurship
- vii. Imitator entrepreneurship
- viii. Researcher entrepreneurship
- ix. Buyer entrepreneurship

4. Role of entrepreneurship in development of economy

Entrepreneurs create organizations that offer employment to millions of people. They convert



resources into useful products and services. They create goods and services and improve the living standards of people in a country. Here are the 7 different types of roles which entrepreneurship plays in the development of the economy: [5]

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.

Create Jobs: Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers.

Balanced Regional Development: Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas.

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.

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.

Community Development: Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. 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.

5. Literature Review

[6] When the concept of entrepreneurship is used in economics, the purpose of analysis is mainly to explain (i) how the market system works and (ii) the various kinds of income - especially profit- and their relation with entrepreneurship. Entrepreneurship is always linked with profit, and the main emphasis of this paper will be on the part played by the entrepreneur in economic process. Even though there are several approaches to entrepreneurship, to profit and to functions that the entrepreneurs provide in the market process, this paper will focus on the ideas of the Neoclassical Theory (in general, the ideas of Marshall), the Schumpeterian approach, and mainly the Neo-Austrian theories of entrepreneurship. All three approaches are critically analysed and both strong sides and shortcomings are introduced in terms of their implications and their applications in regulation of monopolies.

[7] International entrepreneurship (IE) is an emerging field with a rapidly growing body of knowledge. This paper examines gaps, issues and trends of the IE in the last two decades. First, it suggests an integrative framework based on international business, entrepreneurship, strategic management, social network and marketing theories. The suggested model highlights the significant role played by the entrepreneur/team, firm and network resources that act as antecedents to international opportunity development and value innovation. Second, it suggests four typologies of firms (born global, enduring global, early exporter and mature exporter) that can be studied under the IE theme. Finally, we discuss future research directions.

[5] This paper attempts to give a critical review of various theories of entrepreneurship and also shows how the theories can be applied in the developing countries with emphasis on East Africa but focusing Kenya's entrepreneurial culture and practices. All these approaches are critically analyzed and both strong sides and shortcomings are introduced in terms of their implications This paper focuses on various approaches of entrepreneurships such as classical theorists like Richard Cantillon- the entrepreneur who equilibrates supply and demand in the economy by bearing risks or uncertainty; Jean Baptiste Say who portrays the entrepreneur as a



manager being an agent of production in the economy rather than a risk taker; the neoclassical theories of Alfred Marshall who introduced an innovation function of an entrepreneur by continuously seeking opportunities to minimize costs and ultimately maintaining equilibrium in the economy through perfect competition; Schumpeterian approach as the creative destroyer of equilibrium through innovation and discovery of opportunities by introducing new products or new processes; Kirzner who introduced the entrepreneur alert and a creation of economic shock and the response of the alert entrepreneur to the same; Knightian entrepreneur as a residual claimant and risk taker in the environment of uncertainty, the approach of Schutz of using information revealed to react to opportunities through change of behavior and action and other recent theorists. A review is also done on the sociological aspects of entrepreneurship with a view to solve social issues (social entrepreneurship); biological theories which brings in the gender differences in the start- up and operation of entrepreneurial ventures with an emphasis on risk taking; an analysis of entrepreneurship as a team concept rather than an individualistic issue and the benefits that arise from it due t supportive mechanisms such as culture and policies.

[8] Empirical evidence suggests that immigrants appear to be more entre- preneurially active than native people. While the formation of new firms by immigrants has been widely studied, the literature about the performance of these new ventures created by immigrants after their inception remains scarce and anecdotal. This study sheds light on firm- internal and firm-external factors that affect the life expectancy of new firms created by immigrants within a local economy during a period of recession, when the creation of firms is particularly important. The results show that immigrant entrepreneurs are more likely to quit their businesses earlier than their native counterparts. We argue that this may be partially explained by the liability of foreignness faced by immigrants.

[9] The purpose of this article is to explore the various discussion of social entrepreneurship. Social entrepreneurship provides a unique opportunity and assumptions to question, challenge and rethink from different perspective of management and business research. This article offers a comparative analysis of commercial entrepreneurship and social entrepreneurship using a prevailing analytical model from commercial entrepreneurship. The analysis highlights key differences and similarities between commercial entrepreneurship and social entrepreneurship.



This article also presents a framework on how to approach the social entrepreneurial process more effectively and systematically. Social entrepreneurship is a process of creating value by combining resources in new concepts. These process are intended primarily to get the opportunities to create social value by stimulating social change or achieve social needs. When viewed as a process, social entrepreneurship involves the offering of products and services but can also refer to the creation of new organizations. This article focuses and analyses the literature finding of social

entrepreneurship.

6. Conclusion

Entrepreneurial development today has become very significant; in view of its being a key to economic development. The objectives of industrial development, regional growth, and employment generation depend upon entrepreneurial development.

Entrepreneurs are, thus, the seeds of industrial development and the fruits of industrial development are greater employment opportunities to unemployed youth, increase in per capita income, higher standard of living and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development.

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