

ENTREPRENEURS AND THEIR ROLE IN ECONOMIC GROWTH

Saloni Agrawal¹

Assistant Professor, Department of Management,
Lucknow Public College of Professional Studies, Lucknow, U.P., India
saloni7agarwal7@gmail.com

Rashmi Sachan²

Assistant Professor, Department of Commerce,
Lucknow Public College of Professional Studies, Lucknow, U.P., India
sachanrashmilpcps@gmail.com

Sweety Jain³

Assistant Professor, Department of Commerce,
Lucknow Public College of Professional Studies, Lucknow, U.P., India
sweetyjainlpcps@gmail.com

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ABSTRACT

In today's competitive scenario there is a need to be unique and to have the ability to take risk along with some innovative concept of business. Very less people choose to be an entrepreneur as these qualities are rarely present in people. Only 1% - 2% choose to be an entrepreneur. To be an entrepreneur there is a need for a favorable business environment to grow. The law makers of any country should also help the entrepreneurs by making some policy if they lose their business.

In this Competitive scenario, Entrepreneurs takes the challenge of exploring and adapting the relevant technology and resources like land, labour and capital and converting those resources into useful products and services to fulfill the demand of the consumers and to contribute in the economic growth of the country. With the contribution of entrepreneurs, the Gross Domestic Product will increase

along with the per capita income of an individual in the country.

Entrepreneurs play a very important role in during the bad phase of the economy. When there is unemployment in economy, entrepreneurs can not only turn up the economy but can also provide employment to the people who lose their job due to the economic crises.

This paper will focus on the role of an entrepreneur that he contributes in the development of the economy and challenges that he encounters to become an entrepreneur.

1. INTRODUCTION

The concept of Entrepreneurship was discussed by many but the word was first given by Eantillon (Murthy 1989). Entrepreneurs play a crucial role in economic growth. Entrepreneurs are individuals who identify opportunities, take financial and managerial risks and create new ventures or businesses or innovate something new within the existing organisation. Entrepreneurs contribute enormously to innovation also they are the main part of dynamic competition and their role in economic development is widely acknowledged as crucial and impactful.

Schumpeter introduced the concept of Innovation in Entrepreneurship (Schumpeter, J.A. 1934) in Entrepreneurs are people with a strong desire to do something and have the ability to take risks. They generate ideas and work upon the implementation of the idea after checking the feasibility of the idea. Entrepreneurs try to find innovative solutions to any problem. They need to explore the resources available to implement the solution. They are the engine of innovation, risk taking ability and strong desire. Entrepreneurs play a major role in boosting the economic growth of the country Schramm (2006), and Baumol et al (2007). According to McClelland, an enabling environment decides the ability of an entrepreneur (McClelland, D.C., 1961). Macroeconomic Factors either encourage or may discourage entrepreneurship (Casson, M. 1982).

2. CHARACTERISTICS OF AN ENTREPRENEUR

- **Risk Takers:** Business involves a lot of uncertainty and risk. Entrepreneurs are comfortable taking risks as it is their basic requirement. They are willing to take calculated risk because they are aware that the business environment is uncertain.
- **Self-Motivated:** Entrepreneurs are self-motivated. They have the strong desire to work hard and succeed.

- **Opportunist:** Entrepreneurs always keep an eye on the opportunities like changes in the customer's taste and preference, change in lifestyle, market gaps and providing solutions as per the requirements.
- **Visionary:** Entrepreneurs are visionary, they see the opportunities long before and prepare the business ideas according to it.
- **Leadership Skill:** Entrepreneurs are born leaders. They take the role of leader and have the ability to inspire and motivate the team members for the growth and success of the business.

3. SKILLS REQUIRED BY ENTREPRENEURS

Entrepreneurs should possess a diverse set of skills in order to navigate the challenges and opportunities of a business. Here are some basic skills that are necessary for an entrepreneur:

- **Business Acumen:** Entrepreneurs must have a deep understanding of business concepts and principles. They must have knowledge about topics including finance, marketing, operations, strategy, and sales. They can manage resources efficiently, make well-informed judgments, and spot development prospects due to their business acumen.
- **Creativity and Innovation:** 8 ahead from rivals, entrepreneurs must use creative thinking and innovative ideas. They ought to be able to think creatively and solve issues using the best and optimum methods
- **Leadership and Management:** Entrepreneurs need to set clear expectations and goals. In order to lead their teams and motivate others to cooperate in achieving a common goal, they should possess good management and leadership abilities. It requires a skilled leader to assign duties, communicate clearly, settle disputes, and inspire followers
- **Communication and Persuasion:** Entrepreneurs require good communication skills for expressing their ideas, selling their vision, and influencing others. They should be active listeners and communicate with clarity. They can use the 7C's of communication to convey and modify the message for various audiences. Efficient communication skills are required for closing agreements, obtaining finance, and establishing connections.
- **Problem-Solving and Decision Making:** Entrepreneurs come across various challenges on a regular basis and they are bound to make better and quicker decisions in order to gain a competitive advantage

4. CHALLENGES FACED BY ENTREPRENEURS

Entrepreneurs face many challenges in their journey. Here are some of the common challenges:

- **Finance:** It is one of the common challenges of entrepreneurship, as finance is required for arranging the resources and expanding the business. Grabbing any new opportunity requires a large amount of money first.
- **Competition:** It is tough to compete in a well-established market as there must be a product or service already present that you have thought of. An entrepreneur must differentiate his product in order to compete in the market, promote the product to the customers and convince them to purchase the product. It is difficult to face the competition, especially with the limited resources.
- **Uncertainty:** Business Environment is uncertain. Uncertainty is inevitable. Business faces a lot of uncertainty and if they are able handle it then they can step into success. An entrepreneur must explore the market to identify the opportunities.
- **Time Management:** There are various roles that an entrepreneur has to play. Managing all the roles are difficult which require a lot of time as they need to handle product research, product development, marketing, sales, packaging, supply chain etc.
- **Innovation:** Market keeps changing from time to time. Entrepreneurs need to identify the problems and find innovative solutions. Constant technological advancement and change in industry trends requires willingness to accept change. It is difficult to find innovative solutions in such a short span with limited resources.

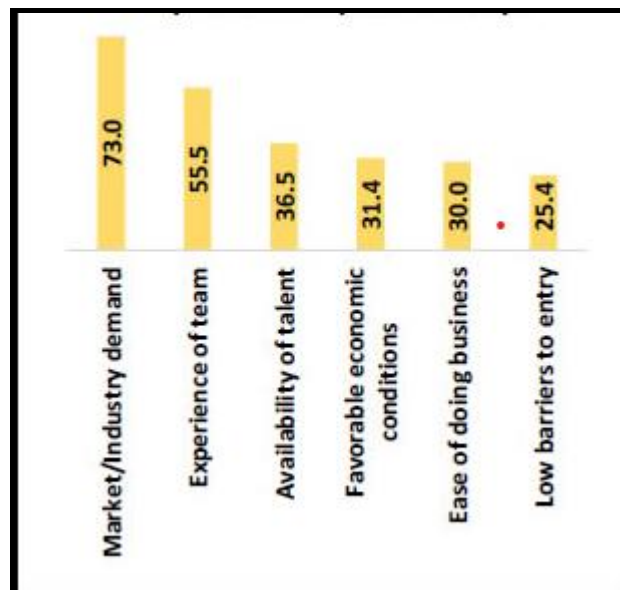
5. ENTREPRENEURSHIP IN INDIA

Entrepreneurship has witnessed a remarkable growth in contribution to the economic structure of India. Here are some of the economic aspects:

- **Favourable Economic Conditions:** The Government has provided a lot of facilities through its policies to support the entrepreneurs and SMEs which has helped them in funding, infrastructure, registration, policies etc. This has led to the emergence of numerous technology driven startups in the field of education, finance, agriculture, health, e-commerce.
- **Digital Transformation:** With the arrival and expansion of technology, digitalization has spread widely. Mobile and internet connectivity has

leveraged the digital platforms to the large number of customers and have contributed to the expansion of ventures by entrepreneurs.

- **Availability of Youth and Talent:** India has a large population which is a demographic advantage for it. Most of this population is of the young age group. The youth is more interested in technology driven jobs rather than traditional jobs. They are fresh talented bloods therefore they bring fresh ideas, creativity, new perspectives accelerating the startup culture in India.
- **Ease of Doing Business with Government Support:** The Government has taken a number of measures to promote entrepreneurship. The “Make in India” has promoted manufacturing the product within the country and made itself reliant. It is promoting India as a manufacturing hub. Number of initiatives like tax concession, tax incentives, reforms in regulation, ease of doing business etc. has provided support to the entrepreneurs.
- **Social Entrepreneurship:** Social entrepreneurs focus to cater to the needs and challenges faced by the society such as issues of healthcare, education, renewable energy, sanitation, development of rural areas, etc. which emphasis on the growth of business along with positive impact on society with financial sustainability.



PER CENT SHARE IN TOTAL NO. OF PARTICIPATING START UPS

FIGURE 1 ENABLING FACTORS THAT HELPED TO SET UP THE STARTUPS

SOURCE: rbi.org.in

6. POLICIES FOR ENTREPRENEURS IN INDIA: There are various policies by the government of India for entrepreneurs (Jayanthi. R, 2019).

- **Startup India Scheme:** Government has launched this scheme to promote the establishment of startups in India by giving them registration ease, regulation support, tax benefit, assistance in registration, marketing, funding, and production, collaboration with investors, suppliers and entrepreneurs. (source-www.startupindia.gov.in)
- **Stand-Up India Scheme:** This scheme came into existence to support the Scheduled Caste entrepreneurs, Scheduled Tribe entrepreneurs and Women entrepreneurs to set up Greenfield enterprises. (source-www.standupmitra.in).

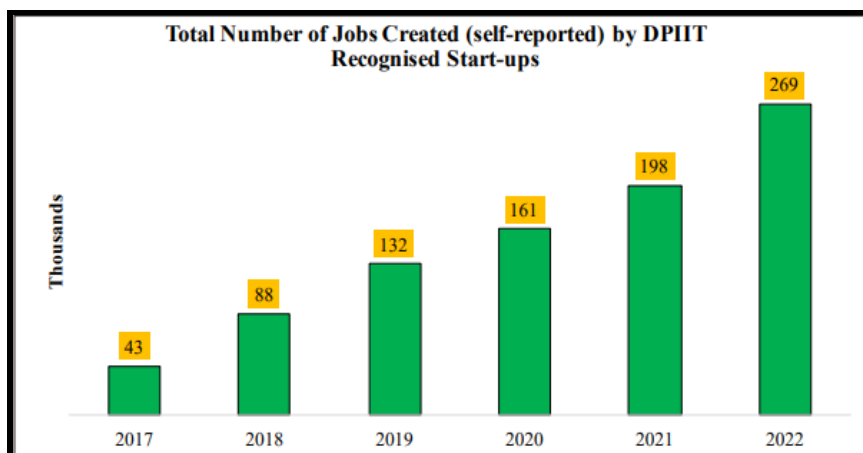


FIGURE 2 JOBS CREATED BY STAR-UPS

Note: Data as on 17th January 2023

(SOURCE: www.indiabudget.gov.in/economicsurvey)

- **Atal Innovation Mission (AIM):** This scheme has been mandated to promote the culture of innovation in entrepreneurship. Incubation centers have been established to provide world class innovation and evolving ecosystems to the startups. It provides funding, assistance and a platform for collaboration opportunities to different stakeholders. (source-www.aim.gov.in)
- **Electronic Development Fund (EDF):** It was set up by the government to provide financial assistance to the entrepreneurs like equity, debt and other modes of funding to the companies in the electronic and IT sector. (source-www.meity.gov.in/esdm/edf)
- **Pradhan Mantri Mudra Loan Yojana (PMMY):** The scheme aims at providing financial assistance to the non-corporate/non-farm SMEs (Small & Micro Enterprises) engaged in manufacturing, processing, trading and

service sector. It includes fruit/vegetable vendors, shopkeepers, taxi and truck operators, repair shops, food service units, small industries, machine operators, food processors, artisans, street vendors etc. It is giving a boost to the economy and helping the entrepreneurs to get access to funds and self-employment. (Source-www.mudra.org.in).

7. OBJECTIVE OF THE STUDY

There are only two objectives of the study:

- To explore and study the positive impact of entrepreneurship in the economic growth of the country.
- To explore and study the negative impact of entrepreneurship in the economic growth of the country.

8. METHODOLOGY

This research is exploratory in nature, and it will explore and compare the positive and negative roles/impact of entrepreneurship in the economic development of the country.

9. POSITIVE ROLE/IMPACT OF ENTREPRENEURSHIP IN THE ECONOMIC DEVELOPMENT OF INDIA

In the present scenario, entrepreneurs play a crucial role in economic development. They have a prominent role in fostering economic growth by promoting job creation and innovation. In the modern period, entrepreneurs play the following roles:

- **Enhances the standard of living:** Entrepreneurs drive economic expansion. They boost economic activity, increase productivity, and help in wealth creation by establishing and expanding firms. This results in higher earnings, which in turn raise the standard of living for individuals and communities (Mani, 2021).
- **Generates Employment:** Start-ups significantly contribute to net job growth for people in the economy as they establish and expand their enterprises. They require additional human resources to meet the growing demand. As the industry grows, it creates employment for both skilled and unskilled individuals.
- **Capital Formation:** Entrepreneurs contribute to capital creation by often investing in their own ideas and ventures. They also seek external funding from angel investors, venture capitalists, and other sources of funds. These sources provide initial investment to set up firms, purchase equipment, cover initial operating expenses, and develop products (Audretsch, 2007).

- **Eliminates Poverty:** Job creation is the primary way through which entrepreneurs address poverty. They generate employment for skilled and unskilled laborers and empower them to gain financial independence and improve their standard of living. They also focus on financial inclusion, economic empowerment, and social entrepreneurship to eliminate poverty.
- **Creation and Equitable Distribution of Wealth:** Entrepreneurs drive economic growth through their innovative ideas, they develop new products and services, launch new industries, leading to creation of income. These activities have a multiplier effect on the economy. Entrepreneurs participate in philanthropic activities and other social initiatives to promote equitable distribution of wealth.
- **Boosts Gross National Product and Per Capita Income:** The activities of entrepreneurs directly contribute to GNP and per capita income; the profit earned by them contributes to the generation of tax revenue for the government, which can be further utilized in infrastructural development, education, healthcare, and other social welfare activities, which contribute to economic growth, higher GNP, and improved per capita income (Dhaliwal, 2016).
- **Develops an entrepreneurial ecosystem:** Aspiring entrepreneurs look up to successful entrepreneurs as their role models and sources of inspiration. Successful entrepreneurs share their experiences, insights and lessons learned with aspiring entrepreneurs, thus providing them guidance and support.
- **Promotes country's International Trade:** Entrepreneurs are often quick to identify opportunities in domestic as well as global markets. They actively engage in building international networks and connections, which results in enhancing a company's reputation, expanding a country's export base, improving the trade balance, and fostering economic development through international trade.
- **Reduces Regional Disparities:** Social entrepreneurs work closely with the communities in disadvantaged regions to understand their specific needs and challenges. They work to address social issues and reduce disparities. They strive for more equitable distribution of resources and opportunities (Malyadri, 2014).
- **Stimulates the Growth of Ancillary Sectors:** To reduce regional disparity, entrepreneurs support and contribute to the growth of ancillary industries. They prioritize local procurement and sourcing of goods and services, by doing so they support local business and suppliers and help in the growth of ancillary industries.

- **Increase in Per Capita Income:** It is the metric used to indicate the amount of income earned by an individual in a nation. It can be seen from the chart below that the PCI at constant prices, has increased from 63,462 from the year 2011-12 to 96,522 in the year 2022-23 which shows an increase of approx 65%.

It can be understood that the economic activity of the country, including business activities of the start-ups have improved and have contributed to the economic growth of the country. Higher the per capita income, higher will be the disposable income.

Economic Survey 2022-23 Statistical Appendix | 3

Table 1.1: Gross National Income and Net National Income						
Year	Gross national income (₹ crore)		Net national income (₹ crore)		Per capita net national income (₹)	
	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2011-12 Series						
2009-10	6328407	7606319	5638126	6837719	48189	58442
2010-11	7552665	8211816	6756720	7373384	56971	62170
2011-12	8659505	8659505	7742330	7742330	63462	63462
2012-13	9827250	9104662	8766345	8094001	70983	65538
2013-14	11093638	9679027	9897663	8578417	79118	68572
2014-15	12320529	10402987	10978238	9224343	86647	72805
2015-16	13612095	11234571	12162398	9963681	94797	77659
2016-17	15215268	12163619	13623936	10782092	104880	83003
2017-18	16905230	12998695	15140418	11508774	115224	87586
2018-19 (3 rd RE)	18697344	13840474	16713054	12226019	125946	92133
2019-20 (2 nd RE)	19881742	14374253	17716597	12641633	132115	94270
2020-21 (1 st RE)	19534226	13368279	17194158	11536004	126855	85110
2021-22 (PE)	23296345	14500812	20529727	12519976	150007	91481
2022-23 (1 st AE)	26799146	15461721	23594934	13347932	170620	96522

Source : National Statistical Office

Notes :

PE : Provisional Estimates,

RE: Revised Estimates

AE: Advance Estimates

TABLE 1 GROWTH RATE OF PER CAPITA INCOME

SOURCE: <https://www.indiabudget.gov.in/economicsurvey/doc/stat/tab11.pdf>

10. NEGATIVE ROLE/IMPACT OF ENTREPRENEURSHIP IN THE ECONOMIC DEVELOPMENT OF INDIA

It has been observed that entrepreneurship does not always have a positive impact on the economic growth of the country. Sometimes it also has a negative impact. Thus all entrepreneurship is not good entrepreneurship. The details can be seen below:

- **Misallocation of Entrepreneurial Ability:** When the economic growth of the country is low then the scope and incentive of innovation is also low, resources and opportunities will be scarce and there will be rise in the self-employment with low level of entrepreneurial ability. High ability entrepreneurs will seek for rent based activity rather than productive activity. The role of a high ability entrepreneur will only be high in countries with high resources and wealth (Murphy et al. 1991:520). This will lead to unfavorable support to low ability entrepreneurs from the credit market which will lead to push out of entrepreneurs from the market.
- **Low Quality of Entrepreneurship:** Not all entrepreneurs are able to successfully establish their business in the long run which may lead to low quality of life until the business is properly established. Low ability entrepreneurs will have less ability and less productive workers which will influence them to produce low quality products and ultimately has a negative impact on the life of the customers and will result in wastage of economic resources of the country also.
- **Unnecessary Accumulation of Resources:** Upper end entrepreneurs have more access to economic resources which they accumulate unnecessarily for the growth of their business. If the resources will be restricted with few people then it will be difficult for the other group to contribute to the economic growth of the country
- **Social Destruction:** Entrepreneurs may take up all the activities that may result in personal profit but are unproductive or socially destructive.
- **Risk of Failure:** There is always the risk of failure which may ultimately be borne by the taxpayers of the country.

11. CONCLUSION

It can be observed that the per capita income has increased in the last few years and the positive role/impact of entrepreneurship is more on the economic growth of the country as compared to the negative impact as entrepreneurship helps in innovation, capital formation, equal distribution of income, improving the standard of living, promoting exports and overall development of the country therefore it can be concluded that there is definitely a positive impact of entrepreneurship in the economic growth of the country.

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