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A Connection between Entrepreneurship and Growth of a Country

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ABSTRACT

Entrepreneurship is the process of creating wealth by innovation, risk taking, investing in new sectors, and aggregating all the factors of production in a new pattern. This study is focused on the contributions made by entrepreneurs and to find any relationship between entrepreneurship and the growth of the country. We used secondary data analysis for this purpose.

Keywords: enterprises, entrepreneurship, technology.

INTRODUCTION

Globalization has given birth to a whole new generation of entrepreneurs in India, probably in the IT industry has notice more entrepreneurs in India especially BPO, KPO, and data centre businesses. Those entrepreneurs who have chosen different way to accelerate their businesses are more successful rather than one who have opted a traditional path to convert their ideas into business. An entrepreneur must have an ability to think differently and to do the different thing at the right time. In a seminar, I noticed that there were new ideas, but a good route was missing to convert their ideas into a profitable one. An entrepreneur must seek ways to transform their ideas effectively in businesses.

Twenty-first century has opened new opportunities for entrepreneurs to create wealth. Internet and revolutions in telecom industry are also playing important role for entrepreneurs. We have seen a tremendous combination of both the industries from startups to an established business. Technology has changed the landscape of the whole operating field. Small and medium enterprise (SME) sector too is quickly gearing up to meet the emerging challenges in the global economy through constant innovation and adoption of cutting technology to provide superior customer solutions. Small sectors consist of small entrepreneurs and growth in small sectors depict the condition of employment in the country and it directly relates the growth of the country and per capita income.

Role of Innovating Entrepreneur in Economic Growth

During study I have found so many researches that encourage other entrepreneurs to become an innovative entrepreneur. Here, I have mention few of them.

Flipkart is a very successful startup which I have seen ($12.5 billion as of March 2015). Flipkart was started by two IITians; before Flipkart, they worked for Amazon.

ParallelDots Parallel Dots have a team of techies, their algorithm automatically search important events based on the user's interest theme.

Wheat is a bungler-based company, which provides augmented-based technology (AR) products, like, if you are planning to buy furniture, they can show you how it will look in your room.

According to J.A. Schumpeter (fundamentals of entrepreneurship and small business by Vasant Desai): An entrepreneur is basically an innovator who introduces new combinations, according to Schumpeter, as an innovator, entrepreneur

forces the potentially profitable opportunities to exploit it. He is a risk bearer, problems shooter and gets satisfaction in confronting problems.
Entrepreneurs try to bring out new combinations like introduction of new products, introduction of new techniques of production, opening of a new market, conquest of new source of supply of raw material. He can create monopoly by use of technological knowledge in the progress of their business.

According to Vsant Deasai in his book fundamentals of entrepreneurship and small business wrote: An entrepreneur is one of the important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business. An entrepreneur is one of the most important input in the economic development of a country or of regions within the country. In India, state and private entrepreneurship co-exists. The small scale industrial sector and business are left completely for private entrepreneurs.

Several factors are responsible for making entrepreneurs. Individual who initiate, innovate, manage, seek new opportunities consist the entrepreneurs, technological know-how culture of business, incentive schemes run by Govt., promotion of sectors make them confident about their success
An entrepreneur develops qualities to be a successful entrepreneur like taking initiative, solving problem creatively and few of them are listed below.

- Responsible for all the activities.
- Creativity in problem solving.
- He must seek opportunities and make plans to convert them in profit.
- Entrepreneur should be a great motivator not only for himself only but also for employees.
- Entrepreneur must feel confident while taking decisions.
- Entrepreneur must be able to handle all queries related with business and be able to negotiate to other parties.
- Entrepreneur should be a strategic thinker and sometime should work on intuition also.
- Explore the prospects of starting such as manufacturing enterprises.

Definition of Entrepreneur
Cole Ed Sappin. (2016) & Dolly (2017) in notes (7 ways entrepreneurs drive economic development) described entrepreneur as an individual who undertakes to initiate, maintain or aggrandize profit-oriented business unit for production or distribution of economic goods and services.

Mc Cleland. (2009 fundamentals of entrepreneurship and small business by Vasant Desai) says that entrepreneur is someone who control over the means of production and try to produce more than what he can consume.

F.H. Knight (2010 past experiences, current knowledge and policy implications) in his article propounded that entrepreneurs are risk takers; they can deal with uncertainty. He also identified social, psychological and economic factors which govern the supply of entrepreneurship.

J.S. Mill (2010 past experiences, current knowledge and policy implications) viewed the word as organizer who was paid for his non-manual type of work further he says extraordinary skills acted as the bedrock in production process that ought to be possessed by the entrepreneur.

In 1882 F.B. Hawley (2010 past experiences, current knowledge and policy implications) contemplated risk taking as a prime feature of the entrepreneur. All classical and neoclassical economist believed in the significance of entrepreneurial actions but did not incorporate the term entrepreneur.

J.A. Schumpeter (fundamentals of entrepreneurship and small business by Vasant Desai): the term entrepreneur has received a wide acclaim. He defined entrepreneur as an innovator who carries out new combinations.

Luke Kupersmith (fundamentals of entrepreneurship and small business by Vasant Desai): opined that entrepreneur is a person that coordinates through their own personal initiative and resources with passion and contribution in all manners.

Carry Smith (2010 past experiences, current knowledge and policy implications) looks entrepreneur as a person who has outstanding abilities to run his business. He further says that it is not only mean to find a different or better way but also to focus in continuous learning, growing, teaching and reaching higher.

Rakesh K. Agrawal (fundamentals of entrepreneurship and small business by Vasant Desai): entrepreneurs with the ambition to make money, look for business opportunities wherever they are, and find them to take advantage of them by a combination of foresight. (2010 past experiences, current knowledge and policy implications) opined that entrepreneurs are engineers of progress and act as chief luck and hard work.

Entrepreneurship

Entrepreneurship is multidimensional task by different authority. Entrepreneurship requires the presence of both lucrative opportunities and enterprising individuals. The discovery of an opportunity is necessary, but it is not a sufficient condition of entrepreneurship. For the opportunity to be exploited, the entrepreneur must believe that the expected value of entrepreneur profit will be large enough to compensate for the lack of liquidity of the investment of time and money, and a premium for bearing uncertainty.
Entrepreneurship is composite skill and the resultant of a mix of many qualities and traits. These include imagination readiness to take risk, ability to bring together and use other factors of production, capital, labor and land as also intangible factors such as the ability to mobilize scientific and technological advances.

Concept of Entrepreneurship

Entrepreneurship is the process of identifying opportunities in the market place, marshaling the resources required to these opportunities and investing the resources to exploit the opportunities for long-term gains.

Entrepreneurship is the propensity of mind to take calculated risk with confidence to achieve a pre-determined business or industrial objective. Entrepreneurship in India therefore must sub serve the national objective. There is a conflict between societal objectives and economic imperatives. This conflict must be resolved by the individual entrepreneur in his own mind and make economic growth, which induces industrial development.

Entrepreneurship is global, to encourage a culture of entrepreneurship among the upcoming generation, catch them young by promising to support start ups in a big way (Laura Perkin). (2010 past experiences, current knowledge and policy implications)

Entrepreneurial activity not necessarily synonymous with innovation since entrepreneurial activities also involves imitation, support the distinction between innovation and reproduction in entrepreneurial activities (H. Aldrich and M. Martinez, (2010 past experiences, current knowledge and policy implications)

Entrepreneurship is the outcome of actions of individuals that act in and are influenced by organizational and regional environment in which they live and work (W. Gartner, (2010 past experiences, current knowledge and policy implications)
H. Aldrich and C. (fundamentals of entrepreneurship and small business by Vasant Desai):
According to Schumpeter, entrepreneurship is essentially creative and (fundamentals of entrepreneurship and small business by Vasant Desai): innovative. There are five big ways of being innovative.

1. Presentation of another technique for creation.
2. Opening of another market.
3. Triumph of another wellspring of supply of crude material.
4. Production of another association of an industry.

Relationship between Entrepreneurship and Economic Growth

A question always arises whether entrepreneurship gives benefit to economic growth of the state or nation? Entrepreneurship is linked mainly with innovation, without innovation entrepreneurship can't achieve goals. Innovation plays a major role to boost entrepreneurship. Innovation is a prime factor to enter in the market and sell services and products to customers. Entrepreneurs know that consumers want something new and it pulls them to create that product and serve them accordingly. Innovations one hand bring a high rate of return to entrepreneurs on the other hand it provides satisfaction to customer that increases sales of a product and service and boost economic development of a country.

Growth characterized by few sources like increase in factors of production, efficient use of available resources, improvement in knowledge, rate of innovation, rate of employment and increment in the salaries. There are some preconceived concepts like only establishing enterprise leads to economic progress. Studies showed that this is not true, entrepreneurship is also influenced by factors, i.e., concerned litigation, policies, rebates, incentives, all processing under one window, etc. If all requisites fulfill by the environment, only then entrepreneurship achieve its goal of economic progress. Innovation is not only contributed towards entrepreneurship, but also becomes a mile stone for the development of entrepreneurship.

In studies, we see that entrepreneurship and growth index depend upon the self-employment rate, if employment is increasing, it means that employability and no of establishment are increasing. Blanchlower (2000), Earle (2000), and Sakova (2000) StamE, Van stell A. (.2009 Types of entrepreneurship and economic growth) said that self-employed consist of heterogeneous group involved in productive entrepreneurial activities. It could just be the result of employment push factors. Beck and Levine (2001) density of firm (Klapper et al., 2008) also agree, with author pointed above.

Most important determinant of entrepreneurship is the GDP rate, but it works on macrolevel economy, (Highfields and Smiley, 1987; Bosma et al., 2005; Wang, 2006) StamE, Van stell A (2009Types of entrepreneurship and economic growth) along with GDP, cost levels, inflation and the interest rate level also determinants of entrepreneurship.

When checking entrepreneurship on regional, industry, and firm level factors, we easily notice in literature that low transportation cost, concentration of human capital and research and development (R&D), availability of finance, population, employment and income growth, level of profits, entry barriers, level of demands urbanized production structure are important determinants of entrepreneurship Reynolds, 1992; Reynolds and Storey, 1992 in (The Royal Institute of Technology; 2009.)

The contribution of knowledge-based (endogenous) growth model started in mid-1980s. Firms invested in knowledge-based sectors like R&D; they got competitive advantage over others in profit maximization.
The first wave of endogenous growth models (Romer, 1986; Lucas, 1988; Rebelo, 1991 in The Royal Institute of Technology; 2009) emphasized the influence of knowledge spills over in growth in the most recent knowledge-based growth models whose focus was on technology and innovation-based setups (Aghion and Griffith, (2010 past experiences, current knowledge and policy implications). Aghion et al. (2006) shown that entry o The Royal Institute of Technology; 2009r entry threats has positive effects on the innovative behavior of the entrepreneurs.
The link between knowledge production and productivity at micro-level is well established. Several studies showed that entrepreneurship is measured by startups rates; the relative share of SMEs, self-employment rate is instrumental in converting knowledge into products and thereby contributing in growth. Thurlik (1999) provided empirical evidence from 1984–1994 cross-sectional study of the 23 countries which showed that entrepreneurship measured by business ownership rates was associated with higher rates of employment growth at the country level.

Raneurhjelm et al. (2009) find coherence between entrepreneurship and the growth of country during 1980s and 2000. The impact is considered stronger in 1990 than in 1980 and R&D seems to decline in the latter period.

Role of Entrepreneurships in Growth of a Country

Creation of Jobs: Entrepreneurship creates jobs in the country, by setting up new plants, new enterprises, convert innovative ideas into the product and services. One-side entrepreneurship generates employment by giving prosperity to individual while other side boosts economy of the country. When individual become employed, per capita income will increase; it directly influences economy of the country. India is a developing country, so job creation influences the growth of the economy. According to recent data, after 2016, there is a remarkable decline in the fragment of jobs. Govt. has introduced few programs to boost startups but demonetization and New tax policy (GST) are negatively working for start ups and act as a barrier to start a new venture. It has slowed down the pace of growth in country. Unemployment never contributed in the growth of the country.

Gross domestic product (GDP) and per capita income: India's MSME sector (micro, small and medium enterprises) is working well; it provides employment to others by guiding them how to become an entrepreneur and also run programs to train them to start their own venture. Entrepreneurial activity increases the per capita income and GDP. It portrayed the good image of a country, like a wealthy and develop nation.

Standard of Living: Increasing standard of living, of people in the country is another goal set by every government in the world. In these regard entrepreneurs play very important role in increasing the standard of living. It is not only done by creating jobs but also adopt innovation for giving quality life to employees, customers and other stakeholders.

Exports: Export is another indicator of economic development. Any business that started want eventually becomes globalized. In any country if export is greater than import then it is a good sign of economic growth. Entrepreneurs always think to expand their business globally.

Capital and Fortune creation**:** By establishing businesses and success of entrepreneurs create wealth they invest in equities, debts other sectors, this sharing of money gives inputs and boost to market that not only portrayed the growth and fame of a entrepreneur but also enhance the economic index of a country.

CONCLUSION

Study shows that if all the factors that promote entrepreneurship contributed efficiently, only then there would be a positive relationship between entrepreneurship and economic growth. Any policy or factor that does not support entrepreneurship can't fulfill the dreams of entrepreneurs hence it slows down the progress of a country. Entrepreneurs are the persons who contribute more in any country's growth. Entrepreneurs play very important role in generating employment, change in per capita income, GDP, export, etc.; hence, there is direct relationship between entrepreneurship and growth of a country.

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