

# The Role of Entrepreneurship in Economic Development

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**Abstract:-** *Entrepreneurship refers to entrepreneurial behavior in the sense of seizing an economic opportunity. This article presents the role of entrepreneurship in the development of economy as the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population. Entrepreneurs look for ideas and put them into effect in fostering economic growth and development. He plays a pivotal role in creation of wealth for the nation, providing means of livelihood by creating job opportunities. Study further mentions findings of a survey known as "Global Entrepreneurship Monitor (GEM) project" which is related to understand how different types of entrepreneurship affect development of the country. The standard of living of the people is also linked to the growth of entrepreneurship. Its role in the development of economy varies from economy to economy depending upon country's political system, economic system and growth rate. The major role of entrepreneurship is the promotion of country's exports, generating wealth and all the level in the society, improving social and community conditions. The Role played by the entrepreneurship development can be expressed in the following words:*

*"Economic development is the effect for which entrepreneurship is a cause"*

**Keywords:-** *Entrepreneur, Entrepreneurship, Economic Development*

## I. INTRODUCTION

An entrepreneur is a person who sets up a business or businesses, taking on financial risks in the hope of profit. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture. The entrepreneurs have an important role in encouraging the economic development or growth or progress of any country. He is the person who makes possible the maximum utilization of resources available in the country as an individual or in a group. These are the people who have the skills and initiative necessary to anticipate current and future needs and bring good new ideas to market. He or she typically creates a business plan, hires labor, acquires resources and financing, and provides leadership and management for the business. 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 uncertainty bearing as the economic function of the entrepreneur. According to Schumpeter, the entrepreneur is the prime mover in economic development and his function is to innovate.

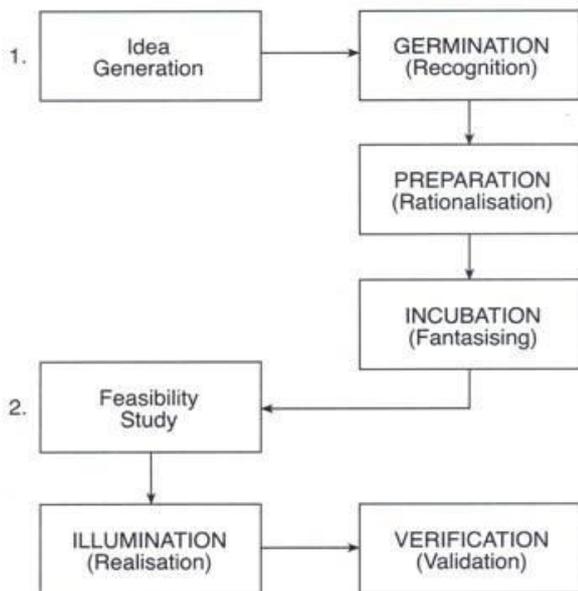
According to economist Joseph Alois Schumpeter (1883-1950), entrepreneurs are not necessarily motivated by profit but regard it as a standard for measuring achievement or success.

## II. OBJECTIVES OF STUDY

1. To study the role of entrepreneurship in the economic development.
2. To analyze the major factors that affect the economic growth of the country.

## III. ENTREPRENEURIAL PROCESS

Entrepreneurship is a process, a journey, not the destination; a means, not an end. All the successful entrepreneurs like Bill Gates (Microsoft), Warren Buffet (Hathaway), Gordon Moore (Intel) Steve Jobs (Apple Computers), Jack Welch (GE) GD Birla, Jamshedji Tata and others all went through this process. To establish and run an enterprise it is divided into three parts – the entrepreneurial job, the promotion, and the operation. Entrepreneurial job is restricted to two steps, i.e., generation of an idea and preparation of feasibility report. In this article, we shall restrict ourselves to only these two aspects of entrepreneurial process.



### Characteristics and Qualities of Successful Entrepreneurs

Entrepreneurship is as important as innovation for national and global economic growth. “Innovation is essential, and we need it. An entrepreneur must have some characteristics and skills that help an entrepreneur succeed.

Successful entrepreneurs are focused, goal-oriented, disciplined, well-organized. They are focused on ensuring that their businesses work and have disciplined regarding their game-plan, and work for achieving their short-term and long-term goals and objectives.

Successful entrepreneurs are hard workers towards their business works, responsibilities and another important business activities. An entrepreneur must set boundaries and know how to work hard and work smart.

Successful entrepreneurs are not afraid to take risks. Starting a business is risky. An entrepreneurs have to take risks every day as it is part of running a business.

Successful entrepreneurs are innovative and creative. Successful entrepreneurs can usually be identified by their ambition to innovate – this involves developing new ideas, methods, processes, products, services, and above all, new solutions that meet new requirements and provide more value to stakeholders.

Successful entrepreneurs are leaders. Successful entrepreneurs must possess many leadership qualities. They are good at managing all aspects of their professional and personal lives. They have the ability to make big decisions, and the right decisions.

### How Entrepreneurship Affect Economic Growth

Economic development is usually the focus of federal, state, and local governments to improve our standard of living through the creation of jobs, the support of innovation and new ideas, the creation of higher wealth,

and the creation of an overall better quality of life. Economic development is often defined by others based on what it is trying to accomplish. Many times these objectives include building or improving infrastructure such as roads, bridges, etc.; improving our education system through new schools; enhancing our public safety through fire and police service; or incentivizing new businesses to open a location in a community. The entrepreneurs have an important role in encouraging the economic development or growth or progress of any country. He is the person who makes possible the maximum utilization of resources available in the country as an individual or in a group.

Due to the lack of efficient and capable entrepreneurs, many countries are lagging behind in economic progress, in spite of being rich in natural resources. Japan, Germany, USA, and China are the leading economically developed nations of the world mainly due to the efforts made by the industrial entrepreneurs of those Nations. It may be rightly stated that the economic development of any nation or standard of living of its people largely depends upon the role of the entrepreneur.

- **Employment Opportunities:** Entrepreneurship results in the creation of small businesses. The labor intensive nature of small businesses enables them create more jobs than the big businesses. The existence of small scale businesses in the country had provided job and employment to many citizens. Small scale businesses play crucial roles in the economic development of countries. In Columbia, India, Indonesia, Kenya, Tanzania and Zambia, SMEs employ more than 50% of the workforce. Similarly, they accounted for 99.9% of the 11.6 million enterprises created in the European Union. Small Businesses created 75% of the new jobs in the USA and accounted for over 40% of GDP. Equally about 80% of Americans find their first jobs in Small businesses. In Nigeria for instance, Small Scale Businesses (SSB) Constitutes 85% of all firms operating in the economy, and like in most other developing countries they employed the largest number of workers. Looking at the definition of SMEs, (generally an umbrella term for firms with less than 250 employees) it then means that 97% of all businesses in Nigeria are “small businesses”. The SME sector provides, on average, 50% of Nigeria’s employment, and 50% of its industrial output. Increasing number of graduates from increasing number of public and private higher institutions who roam the streets, seeking for placement in the few declared vacancies can avail themselves of the opportunity available to make a living
- **Balanced Regional Development** Government promotes decentralized development of industries as most of the incentives are granted for establishing

industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They remove regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

- Mobilization of Local Resources-Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.
- Optimization of Capital-Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.
- Promotion of Exports-Entrepreneurs reduce the pressure on the country's balance of payments by exporting their goods they earn valuable foreign exchange through exports.
- Consumer Demands-Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.
- Social Advantage-Entrepreneurs help in the development of the society by providing employment to people and paves for independent living They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.
- Increase per capita income-Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society.
- Capital formation-A country can attain economic development only when there is more amount of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.
- Growth of capital market-Entrepreneurs raises money for running their business through shares and debentures. Trading of shares and debentures by the public with the help of financial services sector leads to capital market growth.
- Growth of infrastructure-The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.

- Development of Trader-Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country.
- Economic Integration-Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote economic integration in the country by adopting certain economic policies and laws framed by the government. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.
- Inflow of Foreign Capital-Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses.
- Facilitates Overall Development-Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

#### IV. CONCLUSION

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time .Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. In short, the development of the entrepreneurship is inevitable in the economic development of the country. 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 a fabulous potential in a developing country like India.

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