

A Critical Study on the Aftermath of Entrepreneurship on Economic Development in the Indian Scenario

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Abstract— Entrepreneurship is considered as one of the essential standouts amongst the most essential inputs required for the financial amelioration of a nation. An essential or a focal part in the economy is played by the entrepreneurs, by building up firms, which sequentially helps in the establishment of markets and associations. An individual embarks on entrepreneurial exercises before the firm is set up and after that turns into a proprietor once the firm is set up. Considering the Indian Scenario for entrepreneurial development, Business visionaries or the entrepreneurs have performed beneath the normal expectations because of a blend of numerous issues which has got raised through ecological or environmental related facets, transience of governments and recurrent strategy changes by the government and so on. Entrepreneurial promotions should accordingly clinch the availability or possession of managerial competency and intuition and discernment before seeking budgetary assets or financial resources for the amelioration of the individual endeavor or the enterprise. The primary objective of this specific paper is to create and perusing the impact of entrepreneurship in the economic evolution or success in India. Additionally both the positive and the negative aspects of the consequences of entrepreneurship on the economy has been analyzed.

Index Terms— Business visionaries, Entrepreneurship, Economic evolution Positive Impact, Negative Impact, Economic Development.

I. INTRODUCTION

Entrepreneurship is a purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize profit oriented business unit for the production and distribution of economic goods and Service.”- A. H. Cole

The word entrepreneurship hails from French Language, which denoted the organizers of music and other entertainment. The word entrepreneur was coined from the French word *entreprendre*, and refers to the person who has already started or in the process of starting an enterprise. The

Economic growth and development of the country, new product formation, technological change in production

process and economic transformation are the outputs of effective entrepreneurship. An entrepreneur is more vulnerable to risk as he innovates and experiments. This exposedness brings economic development of the country.

Economic development is unlikely to happen in the absence of effective entrepreneur. An entrepreneur is essential for Economic Growth. The dexterity of an entrepreneur to scan, analyze and identify opportunities in the environment mutates them into business proposition through creation of economic entities. They help in channelizing the resources from less productive to move productive use and create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change.

An Enterprise is launched by an entrepreneur. He searches for metamorphosis and acknowledges it. Entrepreneurship encompasses a fusion of capital, technology and human talent. Entrepreneurship is equally apposite to massive and minuscule businesses, to economic and non-economic activities. Different entrepreneurs might have some common mannerism or attributes, but all of them will have some peculiarity. The sociologists feel that certain communities and cultures espouse entrepreneurship like, for example, in India it is said that Gujaratis and Sindhis are very enterprising.

Lucidly, an entrepreneur is someone who perceives opportunity, organizes resources needed for accomplishing that opportunity and exploits it. Subsequent are the examples of entrepreneurial ideas that got converted into products or services: Computers, mobile phones, washing machines, ATMs, Credit Cards, Courier Service, and Ready to eat Foods. Entrepreneurship is pertained with creating wealth through production of stock and facilities. This results in a process of upward transformation whereby the real per capita income of a country ascend over time or in other words economic progression takes place.

Thus entrepreneurial expansion is the key to economic blooming or evolution. In fact it is one of the most crucial inputs in the economic progression of a region. It speeds up the process of activating factors of fabrication leading to a

higher rate of economic growth and enhancement, dissemination of economic activities and development of backward regions. If a region is unable to throw up an adequate number of entrepreneurs then immigrant entrepreneurs usually step in to provide commodity and services according to the people's requisite. However the profits earned by these entrepreneurs are usually not surplus or ploughed back but repatriated to their place of origin. As a result, the region undergoes no development.

A. Definitions of Entrepreneurship

Entrepreneurship is defined by various authors in the following ways:

1. Chandler (1990:8) defines entrepreneurship as dealing with uncertainty, making a distinction between risk, which can be calculated, and uncertainty which can't be overcome.
2. Peter Drucker defined entrepreneurship as 'a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation.'
3. Schumpeter describes the entrepreneur as the bearer of the mechanism for change and economic development, and entrepreneurship as the undertaking of new ideas and new combinations, that is innovations.
4. Drucker describes the entrepreneur as a person who is willing to risk his capital and other resources in new business venture, from which he expects substantial rewards if not immediately, then in the foreseeable future.

B. Need for the study

The propounded work has been done to meet the aim of understanding the constructive and the adverse effect of entrepreneurship on the economic advancement of India.

II. LITERATURE REVIEW

Concept of entrepreneurship as an efficient knowledge came into being about hundred years ago. The economists from Adam Smith to Marshall used terms like manager, the master, the merchant and the undertaker to carry different entrepreneurial activities. Eantillon was the one who first brought the term entrepreneur and entrepreneurship.

Robert Solow was the first to develop the traditional neoclassical theory of economic growth and he titled his paper "A Contribution to the Theory of Economic Growth" (Todaro and Smith, p. 128 and p. 139). In this paper, Solow argues that economic growth is a function of two inputs- the levels of capital and labor in a given area. The technological possibilities available to the society is used to determine the exact nature of this function (Solow, p. 66). Thus, under this hypothesis, the economic growth of a particular country can

be determined by the number of labors and possession of a country's capital and the technological possibilities to which that country has access.

The entrepreneur organizes and operates an enterprise for personal gain. He pays current prices for the materials consumed in the business, for the use of the land, personal services he employs, and the capital he requires. He donates his own initiative, ability, and innovation in planning, standardizing, and managing the enterprise. He also assumes the chance of loss and gain resulting to uncontrollable and unexpected situation. The net remains of the annual receipts of the enterprise after all costs have been paid, he retains for himself (Richard T. Ely and Ralph H. Hes, 1937).

III. METHODOLOGY

The study is exploratory in nature. The positive and negative effect of entrepreneurship in the economic development of India has been analyzed and studied based on the secondary data collected from various sources.

IV. POSITIVE IMPACT OF ENTREPRENEURSHIP ON ECONOMIC DEVELOPMENT

Following are the positive impact of entrepreneurship in India in the economic development of our nation:

A. Capital formation

Entrepreneurs promote Capital Formation by placing profitable business proposition attract investment to ensure the participation of private in the industrialization process. By marshaling the frivolous assets of citizens, business visionaries or entrepreneurs stimulate wealth evolution and by implementing their personal and additionally the fund reserves taken from others, they establish their ventures. Hence as a result, these style of entrepreneurial ventures paves the way for the addition of ethics and capital creation which is immensely significant for the nation's commercial and economic evolution.

B. Generates employment

Entrepreneur is not the job seekers instead they are job creators and job providers. The government jobs are decreasing nowadays and leaving many unemployed with the globalization process. The only hope under these kinds of situations, are the entrepreneurs and their enterprises. They are the direct and indirect source of employment. Joblessness is a persistent and recurring issue of underdeveloped nations. Entrepreneurs provide instant large-scale employment to the unemployed. Entrepreneurs by setting up large number of units, on both small and large-scale, plenty of job opportunities are created for others. As these enterprises grow, they provide direct and indirect employment

opportunities to many more. In this way, entrepreneurs play an effective role in lessening the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

C. Improving standard of living of people

Income and purchasing power which is spent on consumption expenditure increases following an improvement in the standard of living of people through employment generation. Industrial activities boom when demand for goods and services increases. Large scale of production results in economies of scale and low cost of production. New concept of marketing includes creating a demand and then filling it. Entrepreneurs grant large-scale employment to the unemployed, which is a point of issue in underdeveloped nations. Copious job opportunities are conceived with the setting up of large number of units by entrepreneurs. As time passes, these enterprises flourish and exercise direct and indirect employment offers on a large scale.

D. Wealth creation and distribution

It invigorates impartial redistribution of riches and salary in light of a legitimate concern for the nation to more individuals and geographic regions, consequently offering advantage to larger areas of the general public. More exercises and multiplier impact in the economy are likewise produced by entrepreneurial exercises.

E. Increasing gross national product and per capita income

Entrepreneurs convert the dormant and idle resources like land, labor and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in national income is the indication of increase in net national product and per capita income of the country. Entrepreneurs always look out for opportunities. By exploring and exploiting opportunities, encouraging effective resource mobilization of capital and skill, bringing new products and services and developing markets for growth of the economy, they help in increasing gross national product as well as per capita income of the people in a country. Economic growth can be identified by finding the increase in gross national product and per capita income of the people in a country.

The inflation in national salary is the sign of increment in net national products and per capita pay of the nation. Business visionaries dependably pay special room for manoeuvres. By investigating and misusing chances, empowering compelling asset activation of capital and aptitude, bringing new items and administrations and creating markets for development of the economy, they help in expanding gross national item and in addition per capita pay

of the general population in a nation. Financial development can be distinguished by finding the expansion in gross national item and per capita pay of the general population in a nation.

F. Promotes country's export trade

The most important ingredient of economic development is a country's export-trade. Entrepreneurs help in promoting a country's export-trade. For earning huge amount of foreign exchange, they produce goods and services in large scale from export in order to conflict the import taxes requirement. Hence import substitution and export promotion ensures economic independence and development.

G. Facilitates overall development

Entrepreneurs act as catalytic agent, which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will produce 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 large number of units. Entrepreneurial activities can be multiplied by the entrepreneurs in this manner, and the overall area can be developed by creating an environment of enthusiasm and conveying an impulsion.

The business visionary or the entrepreneur who is a business pioneer searches for propositions and enforces them to stimulate financial development and advancement. Entrepreneurship is a standout amongst the most vital contribution to the financial improvement of a nation. The entrepreneur goes about as a trigger head to give sparkle to financial activities by his entrepreneurial choices. He assumes an essential part not just in the improvement of industrial precinct of a nation, additionally plays a pivotal role in the advancement of homestead and administrative precinct.

V. NEGATIVE IMPACT OF ENTREPRENEURSHIP ON ECONOMIC DEVELOPMENT

There are numerous modus operandi in which business enterprises or entrepreneurships are distinguished to have negative (antagonistic) sway on the financial improvement of India, hence not all entrepreneurships are found to be efficacious for economic advancements. As a result there has even been a contention for the inclusion of a tax on the enterprises or start-ups. The most remarkable antagonistic impacts of enterprise can be because of: (a) an unreasonable assignment towards activities that are by and by gainful yet socially damaging or ineffective; and (b) low quality business that may have negative externalities.

Many entrepreneurs fail in their ventures as much as they succeed due to lack of focus. Some times their poor planning

and lack of technical knowledge may also lead to collapse. It may also cause burden to banks and also waste of resources. The failure of any entrepreneur will have a negative impact on the society instead of CSR.

VI. UNREASONABLE ALLOTMENT OF ENTREPRENEURIAL TALENT

We have distinguished a perspective of business enterprise, connected with the improvement of the economy, that consider business enterprise to be universal from the societal viewpoint, yet with innumerable effects on economic advancements, which will rely on the whether entrepreneurial capacity is apportioned towards beneficial, or non-gainful, damaging or shifty closures. The latter, unreasonable allotment—the "misallocation" of entrepreneurial capacity may impede financial advancement (Acemoglu 1995; Mehlum et al. 2003).

Not only the absence of good institutions brings about the wrong allocation of entrepreneurial capacity, but also the slower pace of financial development in itself may bring about the imprecise assignment of propensity and business enterprise (i.e., entrepreneurship). For example, it is understood that when financial development is low and the job options in the formal precinct are rare, that self employment will rise, and that this ascent will incorporate an expansive extent of individuals with low levels of entrepreneurial capacity. Nevertheless, amid times of low financial development the motivations for advancement, as in putting up new products for sale to the public, will be low, subsequent to the interest for new merchandise has a tendency to have a income elasticity of more than one. "Business Visionaries" or "Entrepreneurs" of high proficiency will in this manner take part in rent-looking activities instead of beneficial enterprise, and this re-portion of entrepreneurial ability will be more prominent in nations with larger amounts of riches or common assets from which rents might be procured (Murphy et al. 1991:520). In this way, in such circumstances the nature of the entrepreneurial pool in a nation declines from both the inflow of low-ability business visionaries and in addition the outpouring of high-capacity business visionaries. This will prompt further limitations from the side of credit markets, as higher premium and/or guarantee prerequisites—which may result in pushing out of skilled business visionaries. The result is that poor nations might be found in a self-strengthening "entrepreneurial" evolution trap.

Mehlum et al. (2003:276) present a model to show how a poor nation can get caught in low advancement as an after effect of the misallocation of entrepreneurial ability towards what they term 'predation'. In their model, a business

visionary must settle on a decision between turning into a "predator" or "prey" (i.e. a maker). Predator exercises incorporate burglary, coercion, pay off, and extortion. Economic development and advancement itself will impact this decision: they express that 'at a low level of improvement, predation is more appealing than at more elevated levels'. This is a direct result of uncertain property rights. Economic development and the inflow of new business visionaries is, in their model, a break from this trap, as economic amelioration builds the benefits/incentives from gainful exercises, and in addition expanding the capacity of government to enhance law requirement. Such a fresh inflow of business visionaries have been contended to antagonistic impact on economic advancement and even 'crowd out' rents by rendering new and substitute options (Baland and Francois 2000:528). This is however an essential motivation behind why new entrepreneurial endeavors are regularly curbed in numerous poor nations.

Finally, Naudé (2007) discusses the role of entrepreneurs during and after conflict, and points out that the activities of entrepreneurs during conflict, especially of 'destructive' entrepreneurs who benefit from the conflict, may make post-conflict transition difficult to achieve. He argues that at least six dimensions need to be taken into consideration in addressing the role of entrepreneurs in post-conflict situations, namely: the context of the war; the relationship between institutions and entrepreneurship; the role played by ethnic/immigrant (minority) entrepreneurs and entrepreneurs in diaspora; the scope of the market; human and financial capital requirements; and apt forms of government support.

At last, Naudé (2007) analyses the responsibilities of business visionaries amid and after conflicts, and brings up that the exercises of business visionaries amid struggle, particularly of "dangerous" business visionaries who are benefitted from the contention, may make post-strife changeovers hard to accomplish. He contends that no less than six aspects should be contemplated in tending to the responsibilities of business visionaries in post-strife circumstances, to be specific: the connection of the war; the relationship amongst foundations and enterprise; the role carried out by ethnic/foreigner (minority) business visionaries and business visionaries in diaspora; the extent of the business sector; human and financial capital prerequisites; and apt types of government backing.

VII. CONCLUSION

The entrepreneurship have constructive effect on financial advancement in India as it accelerates capital arrangement, produces enormous job opportunities, ameliorates way of life of the general population of the

country, fastens the process of creation of wealth and decentralized dissemination of economic assets, expands Gross National Product (GNP) and per capita wage, stimulates nation's trade export and encourages general improvement of the country.

Enterprise will have contrary/unfavorable effect on financial advancement in India in 2 conditions: (a) an unreasonable allotment towards activities that are beneficial yet socially damaging or useless; and (b) low quality business or start-ups that may have negative externalities.

Entrepreneurship provide ample of scope for economic, technological and social growth and development. In many ways, entrepreneurs are the catalysts of these social changes. The job creators are the need of the hour at this juncture. Hence they should be encouraged and taken care of by the government.

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