

## **ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT OF INDIA**

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### **Abstract**

The centre of the economic development process is thought to be entrepreneurship. Value creation or extraction is the essence of entrepreneurship. Entrepreneurs who make the best possible use of a nation's resources to promote balanced development. Entrepreneurs are the ones who start new businesses, which contribute to the creation of jobs. Their mastery of technology allows them to increase productivity, which in turn contributes to the development of the state and the nation, leading to economic progress. They also help to strengthen competitiveness. The ideal resources, such as land, labour, and capital, are converted into national revenue and wealth in the form of goods and services by entrepreneurs, who promote economic growth. They contribute to rising per capita income and net national product both nationally and in the state. A nation's ability to industrialise and expand economically is largely dependent on its entrepreneurs. Even if a nation is endowed with an abundance of natural resources, economic development is impossible without skilled businesspeople. This paper examines the significance of entrepreneurship, its role in economic development, government initiatives to support entrepreneurs both nationally and locally, steps taken to enhance entrepreneurship, the rate of entrepreneurship growth in India, and conclusions drawn from the analysis.

**Keywords:** Economic development, Development, Entrepreneurs, Labour, Capital

### **Introduction**

The French word "entrepreneurship" originally described people who put on musical performances or other forms of entertainment. A person who starts a business before it is formally created and then acquires ownership of it is known as an entrepreneur. David Ricardo listed just three factors of production in his theory of economic development: labour, capital, and

equipment. Out of these, the complete produce is distributed as wages, profit, and rent, respectively. Ricardo recognised the benefits of profit in the process of building capital. He contends that wealth is saved as a result of profit, and capital formation follows.

Thus, entrepreneurship has no place in any of the classical models of economic development. Furthermore, economic growth appears to be self-regulating and automatic. As a result, the contribution of entrepreneurship to economic development was viewed with extreme coldness by classical economists. The economic histories of the currently industrialised nations—such as Russia, Japan, and the United States—tend to corroborate the idea that entrepreneurship is the root cause of the economy.

The contribution of entrepreneurship to economic development differs between economies based on factors such as industrial climate, availability of capital, and political system's receptiveness to the role of entrepreneurship. In economies with comparatively less advantageous opportunity conditions, entrepreneurs contribute less than in those with more favourable conditions. From the perspective of opportunity conditions, underdeveloped areas are less favourable for the formation of entrepreneurs, especially those with creative ideas, because they lack resources, trained labour, and minimum social and economic overheads.

### **Need for Entrepreneurship development**

In essence, upward change is required for economic development, meaning that a nation's real per capita income must rise over time. An essential part of a nation's development is entrepreneurship. It is among the most crucial components of economic growth. The quantity and quality of entrepreneurs influence the nation's economic expansion. The economic histories of the world's most developed nations—the United States, Russia, and Japan, for example—support the idea that entrepreneurship is a necessary precursor to economic success. People in emerging and underdeveloped nations are now aware of the critical role that entrepreneurs play in the economic development of industrialised nations because of their vital and noteworthy contribution to this process. It is now well acknowledged that aspiring and active business owners can only fully realise the potential of their own nation's supply of labour, money, and technological resources.

### **India's strategy of economic development**

The investment goods industry sector was the main focus of India's post-independence economic development strategy, with the services and household goods sectors receiving less weight. The

plan was to prioritise the development of infrastructure, manufacturing, and mining. Any rise in planned investments in India would have required more savings than the nation now possessed. Therefore, the Indian government put in place a progressive tax system to limit the growth of income and wealth disparities as well as to encourage higher levels of savings. India's economic development strategy, then, consists of two main components: direct government involvement in economic operations like production and sales, and controlled system management of private sector activities. Additional measures were taken to shield the Indian economy from outside competition. Consequently, India's economy became relatively closed, allowing for very little trade exchanges with foreign nations. India was obviously living over its means by 1990 because of government interference, especially the large amounts of government subsidies. A serious payments issue was the outcome. A structural loan adjustment deal was also signed by India with the International Monetary Fund (IMF) in order to address its immediate balance of payments crisis. However, the Indian government started implementing a number of economic changes in 1991 in order to comply with IMF requirements.

### **Role of Entrepreneurs in Economic Development**

Entrepreneurs are vital to the Indian economy and have a big impact on many different facets of growth and development. The following are some significant roles that entrepreneurs play in the Indian economy:

**Employment Creation:** Startups and new businesses are frequently propelled forward by entrepreneurs. In turn, these new businesses create job possibilities, which contribute to the nation's decrease in underemployment and unemployment.

**Innovation and Technology:** Technological innovation and advancement are spearheaded by entrepreneurs. They launch novel goods, services, and business plans that have the potential to boost competitiveness and productivity across a range of sectors.

**Economic Growth:** By stimulating investment and capital development, entrepreneurs help the economy grow. By offering consumers new and improved goods and services, they also increase demand.

**Enhanced Productivity:** Increasing productivity and efficiency inside a business can be achieved by entrepreneurs by optimising their operations. The broader economy may benefit as a result of this.

**Export and foreign Trade:** A large number of Indian entrepreneurs participate in foreign trade, which enhances the nation's export potential and fosters economic globalisation. This is especially crucial for an economy like India, where exports account for a sizeable portion of the national income.

**Rural Development:** By encouraging small and microbusinesses in rural regions, entrepreneurship can have a significant impact on rural development. This can raise rural residents' standards of living and lessen the economic gap between urban and rural areas.

**Infrastructure Development:** Since energy, telecommunications, and transportation are vital for economic growth, entrepreneurs frequently finance these kinds of initiatives. Enhancing connectivity and accessibility through these initiatives could benefit the economy as a whole.

**Wealth Creation:** Wealthy businesspeople not only make money for themselves, but they also add to the country's total wealth. This money can be used to fund new endeavours, which will promote economic expansion even more.

**Reducing Dependency on Government:** Because entrepreneurs may build their own lives and financial security through their ventures, entrepreneurship helps people become less dependent on welfare programmes and government employment.

**Establishing a Culture of Risk-Taking:** Risk-takers are renowned for their measured risks, which can result in the growth of a culture that supports innovation and risk-taking, both of which are ultimately advantageous to the economy as a whole.

### **Challenges for entrepreneurship development in India**

In India, the current knowledge-based economy is a bountiful place for entrepreneurs. It is a widely held belief that India possesses an exceptional reservoir of talent with almost infinite possibilities for entrepreneurship. As a result, it's critical to devote to establishing the ideal setting for the growth of prosperous businesses. India needs to concentrate on these four areas to do this.

**1. Establish the Correct Environment for Success:** Starting a firm should be simple for entrepreneurs. Most Indians would do this slowly at first, using money borrowed from friends and family, the CEO acting as a strategist and salesperson, a staff of experts formed months or even years after the company was founded, and few, if any, outside investors. As an analogy, consider a start-up in Silicon Valley. There, a competent management team would steer the company, partnerships would be investigated early on to expand the firm, and a Venire Capitalist

(VC) or angel investor would be brought in early. India faces a significant challenge in developing a few centres of excellence, the crucible where ideas germinate and become successful ventures. For instance, Bangalore for IT or Gurgaon and Hyderabad for distant services. Examining the function of universities and other educational institutions—places where greatness usually flourishes—is one method to boost these areas.

**2. Ascertain that Entrepreneurs Possess the Appropriate Skill:** According to a McKinsey & Company report from last year, the majority of Indian start-up companies struggle with two skill gaps: functional (such as product development expertise and marketing skills) and entrepreneurial (such as how to handle business risks, assemble a team, and secure capital). India can take steps to ensure that university curricula are updated to reflect the modern business environment, especially in emerging markets, and to establish "centres of entrepreneurial excellence" in institutions that will actively support entrepreneurs.

**3. Make sure entrepreneurs have access to "Smart Capital":** Indian business owners have historically had little financial resources. It is accurate to say that a number of venture funds have joined the Indian market in recent years. Furthermore, even though the industry is still in its infancy in India (with less than US\$0.5 billion in total disbursements anticipated in 2003), venture capitalists (VCs) are offering funding in addition to vital knowledge and connections to potential partners, suppliers, and clients worldwide. Nevertheless, there aren't many angel investors in India who back ideas before venture capitalists get involved. While organisations like TIE are attempting to close the gap by establishing a TIE India Angel Forum, the third difficulty facing India is building a worldwide network of "angels" who are prepared to assist start-up companies.

**4. Encourage Networking and Exchange:** Experience is the best teacher for entrepreneurs, both their own and others'. The swift expansion of Asian economies and the quickening speed of globalisation offer India both great potential and formidable difficulties. India can aim to develop a pool of entrepreneurs who will be the future leaders of both the region and the world by planning ahead and concentrating its efforts.

#### **Conclusion:**

A company executive who is also an entrepreneur seeks for and implements ideas to promote economic development and progress. One of the most crucial factors in a nation's economic progress is entrepreneurship. Through his entrepreneurial choices, the entrepreneur serves as a

catalyst for economic activity. The way we work and live can be altered by entrepreneurs. If their inventions are successful, our level of living might rise. To put it briefly, their business endeavours not only generate income but also employment and favourable conditions for a thriving community.

In the Indian economy, entrepreneurs are the main drivers of innovation, job creation, and economic growth. Their actions raise many people's standards of living, enhance productivity, and create money, making them an essential part of India's economic growth.

Through the establishment of economic entities, entrepreneurs, equipped with their ability to scan, analyse, and recognise opportunities in the environment, turn them into business propositions. Determining the causes of economic growth is one of the main objectives of modern economics. According to conventional neoclassical theory, a nation's ability to grow economically depends on its level of technology as well as its availability of labour and capital. A society's level of knowledge has a significant impact on how advanced its technology is. A person who launches a business is an entrepreneur. He is always looking for change and reacting to it. The combination of human skill, technology, and capital is essential to entrepreneurship. Entrepreneurship is relevant to both economic and non-economic activities, as well as large and small businesses.

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