



## Role of Entrepreneurship in Economic Development of India

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### **Abstract:**

*Entrepreneurship is considered to be the focal point in the process of economic development. Value creation or extraction is the essence of entrepreneurship. Entrepreneurs who make the best use of a nation's resources in order to contribute to its balanced development. Entrepreneurs are the people who create new business, which help to create jobs for people. They help in intensifying competition with the help of technology they master in increasing productivity and thus contributing in the development of the country and in the state, followed by economic growth. In addition to transforming essential resources such as land, labour, and capital into national revenue and wealth through goods and services, entrepreneurship fosters economic growth. They play a significant role in enhancing both the state's and the nation's net national product and per capita income. The industrialization of a country and its economic development space relies heavily on entrepreneurs. A country maybe inherited with plenty of natural resources, but its economic development cannot be possible in the absence of efficient entrepreneurs. An attempt has been made in this paper to analyse the importance of entrepreneurship, role of entrepreneurs in economic development, government initiation to develop entrepreneurs in India, measures to improve entrepreneurship, the growth rate of entrepreneurship in India and conclusions are discussed in this paper.*

**Keywords: entrepreneurship, economic development, industrialization.**

### **Introduction:**

The Indian entrepreneurship segment comprising of SME's, start-ups, first generation entrepreneurs at those look into expand their family business is a staving and dynamic part of Indian economy. Both favourable and otherwise have impacted the segment. Entrepreneurship is the creation or extraction of value. An attempt has been made in this paper to analyse the importance of entrepreneurship, role of entrepreneurs in economic development, growth of entrepreneurship development in India and its present status in promoting economic development of India, government initiation to develop entrepreneurs not only in India and in the state, measures to improve entrepreneurship, the growth rate of entrepreneurship in India and conclusions are discussed in this paper.

### **Objective:**

1. To study role of entrepreneur.
2. To explore the role of entrepreneurship in economic development.
3. Challenges and opportunities for entrepreneur.

### **Meaning:**

The entrepreneur, as a business leader, seeks out ideas and implements them to promote economic growth and development. Entrepreneurship serves as one of the most crucial inputs for economic advancement. He plays an essential role not only in the growth of a country's industrial sector but also in the development of its agricultural and service sectors. An entrepreneur can be defined as an individual who possesses the

initiative, skills, and motivation to establish his own business or enterprise, consistently striving for high achievements. They actively seek opportunities, identify them, and capitalize on them primarily for economic benefits. The entrepreneur provides risk capital as a risk-taker and oversees and manages business activities.

### **Role of Entrepreneurs in economic Development:**

- 1. Wealth Creation and Sharing:** When entrepreneurs establish a company, they not only invest their personal funds but also secure financing from investors, lenders, and the general public. This mobilization of public resources enables individuals to reap the rewards of entrepreneurs' successes and the expansion of businesses. The generation and allocation of wealth through such collective capital is a fundamental requirement and objective of economic progress.
- 2. Create Jobs:** Entrepreneurs are by nature and definition job creators, as opposed to job seekers. In simple terms, the act of becoming an entrepreneur decreases the count of job seekers in the economy by one, while concurrently generating employment opportunities for many others. This type of career advancement.
- 3. Encourages capital formation:** Entrepreneurs encourage capital creation by mobilizing the optimal public savings, which is crucial for the nation's industrial and economic development.
- 4. Creates Large-Scale Employment Opportunities:** The unemployed, a persistent issue in developing countries, are immediately given large-scale jobs by entrepreneurs.
- 5. Encourages balanced regional development:** By establishing businesses in underdeveloped and backward areas, entrepreneurs contribute to the elimination of regional imbalances.
- 6. Wealth Creation and Distribution:** It stimulates equitable distribution of wealth and income in the interest of the country to more people and geographic areas.
- 7. Increasing gross national product and per capital income:** Entrepreneurs always look out for opportunities they explore and explicate opportunities, encourage affective resource mobilization of capital and skill.
- 8. Improvement in the standard of living:** increasing in the standard of living of the people is a characteristic feature of economic development of the country.
- 9. Promotes country export trade:** Entrepreneurs promoting help in a country export trade which is an important ingratiate of economic development.
- 10. Entrepreneurs create new business:** stimulation of related businesses or sectors that support the new ventures adds to for the economic development.
- 11. Facilities and over all development:** entrepreneurs act as catalyst agent for change which results in chain reaction. Once an enterprise is established the process of industrialization is set in motion.
- 12. Creating innovation:** an entrepreneur is a person who always looks for change apart from combining the factors of production; he also introduces new ideas and new combination of factors.

### **Entrepreneurship in India, A Historical Perspective:**

Before the advent of the British, India was an important economic power in the world accounting for almost 25% of the world trade. This was because of the entrepreneurial skills of its artisans and craftsmen. Indian society

consisted of a unique economic and social system called Village Community. These Village communities were almost self sufficient to meet all the needs of the villagers. Organized industrial activity was seen in selected cities like Banaras, Allahabad, and Gaya etc. But due to the two centuries of colonial rule by the British, India was transformed from a net producer to consumer and the industrial backbone of the country was crushed by the British to promote their industries. The world famous Indian handicrafts industry declined by the later part of eighteenth century due to British colonial rule

After independence, the Government of India had realised the importance of the growth of entrepreneurship and had been promoting it with a focus on small businesses. The Government of India had come out with Industrial Policy Resolutions starting with IPR 1948. The IPR of 1956 was a landmark one which gave major thrust to small enterprises and had reserved 128 items exclusively to be manufactured under small scale sector. The IPR of 1977 had given thrust to the Cottage and house hold industry, tiny sector and Small scale industry. Various measures were suggested for the promotion of small-scale and cottage industry also. The IPR of 1980 planned for promotion of industries in backward districts, promotion of village and rural industries. Government of India had come out with a policy exclusively for small scale sector called “New Small Enterprise Policy in 1991 to provide accelerated growth to small scale sector. This policy was instrumental in widespread growth of small scale sector.

The Government had started to promote small industries from the third five year plan onwards in the form incentives, capital, technical know-how, marketing assistance and land. All the subsequent plans had given major concessions to promote small industries in back ward areas for

balanced regional development and also to provide large scale employment

The Micro Small and Medium Enterprises (MSMED) Act, 2006 of the Government of India had set up a separate ministry to promote Micro Small and Medium enterprises. The Act also provide for the “Cluster based development” of small enterprises, marketing support, entrepreneurial and management development, empowerment of women owned enterprises etc. The Government realised the importance of promoting entrepreneurship and employment and had recently enacted National Policy on Skill Development and Entrepreneurship 2015. A separate ministry has been set up under the Government of India for the promotion of skill development and entrepreneurship with a greater focus.

### **Entrepreneurship in India Compared with Other Fast Growing Economies like China and Brazil:**

The Indian economy has emerged as the second fastest growing economy globally. It is anticipated to become the fastest growing economy in the forthcoming years. Small and medium enterprises are considered world-wide as the promoters of economic development. In India, they constitute 95% of the industrial units, accounts for 40% of the total industrial production and 34% of the exports. They offer jobs to approximately 3.125 million individuals across 1.285 million units as of the fiscal year 2006-2007.

China gives more importance to SMEs than India, where over 68% of China’s exports come from small and medium sector. The growth of SMEs in China has been phenomenal that in the last 20 years it has created more SMEs than the total number of SMEs in US and Europe combined. In the case of Brazil, another fast growing economy, SME’s constitute 96.8% of the

registered business employing 59% of the active population. This shows that India has a long way to go in the case of promoting entrepreneurship to foster faster economic development. India and China go about encouraging new businesses in quite different ways. While India have taken steps to stimulate consumer demand and concentrated on entrepreneurship.

### **Entrepreneurship-Provider of Large Scale Employment/ Self-Employment:**

India is a country with the youngest population. According to the 2011 census, the population is over 120 crores and 31% (37.9 crores) of the population are in the age group of 18-35 years. This is a great demographic advantage for India. But India cannot give jobs to all these young people. According to the survey conducted by National Sample Survey Office 2013, only one person out of 4 urban educated are employed. If India want to fight unemployment and poverty and take advantage of the globalisation, it need to concentrate on entrepreneurship development. The government has realised that entrepreneurship is the main mechanism to provide large-scale employment as well as for capital formation. Realising its importance, the national and state Governments of India are initiating policies and programmes to promote entrepreneurship and self-employment to foster economic development.

### **Role of MSMEs in Economic Development:**

In India the MSMEs generate “highest employment per capita investment” as well as it will reduce rural urban migration by providing employment in the village itself

It is very easy to start an SME as compared to large industry. Analysis of census data on SMEs have shown that an investment of Rs.0.72 lakh is required for creating one employment in the MSME sector as compared to

Rs.5.56 lakh in the large scale sect so, the MSME sector generates more jobs.

Small enterprises "use local expertise and supply costeffective and customized products to specific customers."They are a source of products for large organizations and it is very easy for small enterprises to adapt to changing environment.

Small firms in India face difficulties in th eir activities, just as small businesses elsewhere. Challenges like efficiency and global reach can be overcome through embracing information technology. Those related to risk taking, innovation and proactiveness can be met by encouraging entrepreneurship

Due to liberalisation and globalisation, the small enterprises in India began to face competition from foreign companies. Due this intense competition, these domestic firms have to change their ways and improve their efficiency in order to survive. The recent advances in the IT front and communication infrastructure have helped the Indian SMEs to cater to the global markets. Encouraging and supporting entrepreneurship, encouraging innovation and providing necessary finance are necessary for Indian SMEs to go globally

According to the National Sample Survey of 1999-2000, the total workforce as on 01-01-2000 was 40.6 crores. Only 7% of the workforce were employed in the organized large scale sector. 93% were employed in the unorganized small scale sector. The unorganized sector employed 36.9 crores people during 2000. This data shows the importance of entrepreneurship in the economic development of a developing country like India.

### **Promoting Entrepreneurship and Entrepreneurship Training in India:**

In India, promoting entrepreneurship is a national priority led by the **Ministry of Skill**

**Development and Entrepreneurship (MSDE)** and the **Ministry of MSME**. The ecosystem is designed to transform "job seekers into job creators" through a multi-tiered framework of training, financial support, and regulatory easing.

**1. Key Promotional Agencies & Training Institutes:** The government has established specialized institutes to provide formal entrepreneurship education and skill-based training:

- **NIESBUD (Noida):** A premier MSDE organization that has trained over 1.6 million people. It focuses on Training of Trainers (ToT), Management Development Programmes (MDP), and entrepreneurship-cum-skill development.
- **Indian Institute of Entrepreneurship (IIE, Guwahati):** Focuses on the North Eastern Region, delivering programs like the Startup Village Entrepreneurship Programme (SVEP) and Livelihood Business Incubators (LBIs).
- **Entrepreneurship Development Institute of India (EDII):** An autonomous body offering flagship academic programs (PGDM-E) and specialized training in social entrepreneurship and family business.
- **NI-MSME (Hyderabad):** Provides technical and managerial training specifically for the micro, small, and medium enterprise sectors.
- **RSETIs (Rural Self-Employment Training Institutes):** A vast network of over 580 centers managed by the Ministry of Rural Development to train rural youth.

**2. Flagship Government Initiatives:** Comprehensive schemes address the entire business lifecycle, from ideation to scaling:

- **Startup India:** Provides a 19-point action plan including tax exemptions for 3 years, self-certification under labor laws, and fast-track patent filing.

- **Startup India Seed Fund Scheme (SISFS):** Financial assistance for proof of concept, prototype development, and market entry.
- **PM-SVANidhi:** Includes the *Rashtriya Udyamita Vikas Pariyojana* to provide training and mentoring for street vendors.
- **Women Entrepreneurship Platform (WEP):** A NITI Aayog initiative that aggregates information, provides mentorship, and facilitates funding for women-led ventures.
- **ASPIRE:** Promotes innovation and rural industry through a network of technology centers and incubation centers.

**3. Specialized Training Frameworks:** Entrepreneurship Development Programmes (EDPs) are typically structured into three phases:

- **Entrepreneurship Awareness Programme (EAP):** One-day sessions to motivate potential entrepreneurs.
- **Entrepreneurship-cum-Skill Development Programme (E-SDP):** Six-week intensive modules combining technical skills with business management.
- **Advanced Management Development Programme (A-MDP):** One-week capacity-building courses for existing entrepreneurs focusing on Industry 4.0 and productivity.

**4. Digital and Online Resources:** To increase accessibility, several digital platforms offer free and paid courses:

- **Skill India Digital Hub (SIDH):** A unified platform for skilling, education, and entrepreneurship services.
- **Startup India Online Learning:** Features courses from partners like AWS, Microsoft, and Upgrad on business analytics and Python.
- **MAARG Mentorship Portal:** Connects startups with experienced mentors across varied sectors.
- "The Indian experience has established that, when the right environment is created by the

policy makers, the entrepreneurial spirit of the people finds expression and the economic activity booms”

**Conclusion:**

India is one of the fastest growing economies in the world. But it is plagued by an ever growing population and unemployment. India has gone through the Agricultural revolution, White revolution, Blue revolution etc. An entrepreneurial revolution is due which will take India in comity with the developed nations. Only an entrepreneurial awakening will make India to grow on a much faster rate and become a developed nation at least by 2050. Government initiatives like ‘Make in India’, “Stand Up India”, “PMKVY” are going to jump start the entrepreneurial revolution and mind set.

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