

The Role of Entrepreneurship in Economic Growth and development in India

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Abstract

Entrepreneurship is a powerful engine for economic growth, driving innovation, job creation, and increased productivity. By identifying market opportunities and developing new products, services, and business models, entrepreneurs contribute to a more dynamic and competitive economy. 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. Entrepreneurship is considered as an indispensable element to stimulate economic growth. It not only increases production and gross domestic product but also prompts innovation, employment, wealth creation, standard of living and assists in overall development of the nation. Contrary to general notion, the impact of entrepreneurship on economic growth is not uniform throughout the world. The impact of entrepreneurship on economic growth in developed and developing countries. The stages of economic development and other factors also affect the economic growth of the nations. The purpose of our study is to examine the role of entrepreneurship in economic growth of the country. Taking into consideration the available literature, an attempt has been made to find out the effects of entrepreneurship on economic growth. In this research paper has made an attempt to study the role of entrepreneurship in economic growth and development. It was found that entrepreneurs boost economic growth and development in India by generating employment opportunities, balance economic growth.

Keywords: Entrepreneurship, Conceptual Framework, Economic Growth, Economic development.

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I. INTRODUCTION:

Entrepreneurship contributes abundantly to employment generation, gross domestic product, exports, emergence of new innovations, and incitement of competitiveness. As financial service providers, MFIs on one hand provide loans to accelerate growth of existing enterprises and facilitate creation of new enterprises while, on the other hand, give the entrepreneurs access to secure places for savings. It is acknowledged as an essential driver of economic growth. Entrepreneurship has long been considered an important mechanism of economic development. The wide consensus among the economists is that entrepreneurship affects economic growth and development. The Economic growth is increase in the value of goods and services produced in an economy over a period of time. This value calculation is done in terms of % increase in Gross Domestic Product (GDP). Economic development is a combination of the economic well-being and quality of life of a nation, community, market productivity and the welfare values of the nation.

II. OBJECTIVES:

The main objectives of economic growth and development include increasing national income, reducing poverty and inequality, improving living standards, and promoting self-reliance. These goals are achieved through various means, such as increasing investment, expanding infrastructure, improving education, and fostering technological advancements.

III. LITERATURE REVIEW:

There are several studies in the literature related to the impact of entrepreneurship on economic growth. It is often suggested that entrepreneurship is essential to generate economic growth.

Holcombe⁵ (1998) claimed “the engine of economic growth is the entrepreneur”. Dejardin⁶, (2000) opined “the more entrepreneurs there are in an economy the faster it will grow”. Entrepreneurship contributes in economic growth in different ways by job creation, product enhancement, increased competition, innovation, diversification, knowledge spillovers (Audretsch & Keilbach⁷, 2004; Van Praag & Versloot⁸, 2007; Van Stel et

al9., 2005; Wong et al10., 2005). Caree and Thurik11 (1998), examined the share of small firms and its effect on industry output growth, which established positive effects between the two variables.

K. Harika & S. Praveen (2025) explored that the Micro Finance in India (MFI) is play very important role in development. Microfinance is a very important source of financial services for people and microenterprises that do not have easy access to banking and related services. It is a delivery of financial services to such clients were Relationship Based banking for individuals entrepreneurs, Small Business, Group Based Models.

Bosma et al12., 2009; Sautet13, 2013; Gries & Naudé14, 2010; explored that the ramification of entrepreneurship on economic growth differs pursuant to its stage of economic development. Sternberg & Wenekers15 (2005) and Valliere & Peterson16 (2009) discovered that the impact of entrepreneurship on an economy's growth may not be persistent in developed and developing countries. It has been depicted under the GEM project that greater the poverty, greater will be the level of necessity based entrepreneurship. The share of necessity entrepreneurship decreases with the increase in level of development of a nation; consequently the share of opportunity entrepreneurship increases (Wenekers et al17, 2010). Significant relationship with the growth rate of gross domestic product.

Bosma et al19., 2018;Acs et al20., 2008; Sobel21, 2008: argued that pro-market institutions encourage productive entrepreneurship and discourage unproductive entrepreneurship resulting in economic growth. Institutional context is also one of the factors which affect the fostering of entrepreneurship and consequently economic growth (Bartlett and Popovski22, 2015). Urbano & Alvarez23,(2014) revealed that pro market institutions lead to higher rates of entrepreneurial entry which translates into greater economic growth.

THE CONCEPTUAL FRAMEWORK:

The Global Entrepreneurship Monitor (GEM) conceptual framework evolves from the essential assumption that economic growth is the outcome of the personal competence of individuals to find out the opportunities and exploit them to achieve the entrepreneurial initiatives. This process requires individuals' decisions that are influenced by various environmental factors. The contribution of entrepreneurship for the growth of the economy is recognized by Global Entrepreneurship Monitor with longitudinal studies and detailed analyses of entrepreneurial exertion and attitudes. The Global Entrepreneurship Monitor survey was designed to find out the interdependency between entrepreneurship and economic development, basically to discover factors related to entrepreneurship ecosystem, societal values, personal attributes that prompt entrepreneurial activity and to provide a pulpit for gauging the effects of entrepreneurial activity on economic growth in order to determine the policy implication for fostering entrepreneurship in various economies. The entrepreneurial activity is divided among variety of entrepreneurs by phase, impact and type, which is affected by social values, individual attributes and also by social, cultural, political & economic context. The behavior of entrepreneurs and decision making is determined on the basis of institutional conditions and other related factors. The process ultimately creates added value and jobs.

ENTREPRENEURSHIP DEVELOPMENT:

Entrepreneurship development is the overall development of entrepreneurial skills and acumen necessary to start businesses successfully. The role of entrepreneurship in economic development cannot be described in words, as it plays a prominent role in advancing the economies of countries. There are several entrepreneurship courses available for students who want to kick start their journey as entrepreneurs. They consistently seek personalized guidance and knowledge from experienced professionals. In today's fast-paced economy, entrepreneurship development is necessary to understand economic growth and professional advancement. Entrepreneurship development programmes allow individuals to transform their ideas into successful businesses. These programmes incorporate extensive business planning, marketing strategies, creativity, teamwork skills, communication, financial management, etc.

ENTREPRENEURSHIP GROWTH:

The Policy makers and academicians acknowledge that the entrepreneurs and the variety of businesses started by them play a pivotal role in the growth and development of the economy. The development phase of the economy determines the economic growth. This statement asserts that level of economic development ascertains the capability of entrepreneurship to contribute in the economic growth. According to World Economic Forum (WEF) the economies are classified by economic development level into three phases.

1. Factor-driven phase: The factor-driven phase is subjugated by subsistence agriculture and extraction businesses, with great dependence on natural resources and labour. Basically, factor-driven economies do not innovate or create knowledge, which implies narrow effects on economic growth.

2. Efficiency-driven phase: In the second phase i.e. efficiency-driven phase, an economy becomes more competitive with technological developments, updated production processes, educated workforce, and better quality of the products. Notably, during this stage, there is a transition from self-employment to wage-employment due to the substitution between capital and labour, which increases returns.

3. Innovation-driven phase: As development accelerates into third phase i.e. innovation-driven phase, the service sector expands and businesses become more knowledge-intensive, which provide more opportunities for entrepreneurship

ROLE OF ENTREPRENEURSHIP:

The role of entrepreneurship is to promote economic stability, and it plays a significant part in improving per capita income. By thoroughly understanding the positive impact of entrepreneurship on economic development, you'll be able to gain valuable insights into how you can emerge as a business leader and empower economic progress. Entrepreneurship drives the economic growth of a country by introducing new services and technologies that could meet the demands of current markets in order to generate profits. Here are some of the key roles of entrepreneurship in economic development.

The entrepreneurship is a dynamic process which plays an important role in the economic growth and development of a country. The entrepreneurship and entrepreneurs are considered the key drivers in the development of the nations. The major roles played by the entrepreneurs in the economic growth of a nation are discussed as follows.

1. **Capital formation** Entrepreneurs promote capital formation by establishing the business and pooling the idle savings of public. They invest their own resources, borrowed resources and attract capital from investors. This kind of pooled capital leads to value addition and creation of wealth, which is the basic imperative for the industrial and economic growth.

2. **Employment generation** Unemployment is one of the biggest problems of every country especially the developing nations. Entrepreneurs play a major role in reducing this problem by providing employment to the unemployed on large scale, which leads to generation and distribution of income. With the passage of time these enterprises provide direct and indirect employment opportunities to more people, which is one of the goals of economic development.

3. **Increase in gross national product** Entrepreneurs exert continuously to discover and exploit opportunities, generate capital, employ skilled and unskilled labour to produce new products and services. This production of new goods and services contribute to increase in gross national product as well as per capita income of the people leading to economic growth of a country.

4. **Balanced regional development** Entrepreneurship promotes balanced regional development by establishing industries in backward and less developed areas thereby remove regional disparities. The policy of the government encourages entrepreneurs to start entrepreneurial activity in these areas which in turn prompts to other public benefits like development of roads, banks, transportation system, communication, education etc.

5. **Encourages innovation** Entrepreneurship encourages innovation by creative thinking, adopting new technology, adding value to an existing product there by makes substantial changes in society. In this era of cut throat competition, an entrepreneur has to embrace innovation in order to survive and maximize the profits which increases production and contributes to economic growth.

6. **Improvement in standard of living** Entrepreneurs not only mobilize the resources, create jobs, increase the production but they also improve the standard of living of people in a community. They develop and employ innovation that brings the changes in the quality of the products and reduces cost of production which leads to improvements in the quality of life of the customers, employees and other stakeholders.

7. **Promotes exports** Entrepreneurship helps to maintain economic self-reliance of the country by promoting exports. It not only expands business by providing access to international market and latest technology but also brings in scarce foreign currency for the country. This entrepreneurial activity is critical to ensure the economic independence and growth of the country.

8. **Facilitates overall development** Entrepreneurship has been acknowledged as a pertinent catalyst of economic growth of the country. The process of industrialization starts with the establishment of an entrepreneurial unit. The unit will require raw materials and other inputs which will create demand for other supplying units, the output of this unit may be demanded by some other units. This result in chain reaction, the entrepreneurs multiply their entrepreneurial activities which lead to overall development of an area.

IV. CONCLUSION:

Entrepreneurship is a multifaceted phenomenon which affects economic growth as it stimulates capital formation, generates employment opportunities, increases gross domestic product, encourages innovation, promotes export, improves standard of living and facilitates overall development of the nation. Entrepreneurship is considered as an essential element to gear up economic growth. The study

confirmed that there have been mixed results in several studies based on the link between entrepreneurship and economic growth and development. The effects of entrepreneurship on economic growth in developing countries and developed countries depending on the level of development of the economy. Moreover, government policies, institutional support, societal values and personal attributes of entrepreneurs immensely affect the entrepreneurial initiatives and consequently economic growth of a country.

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