

## THE ROLE OF ENTREPRENEURSHIP IN DEVELOPMENT OF INDIAN ECONOMY (WITH SPECIAL FOCUS ON CHALLENGES AND OPPORTUNITIES)

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### ABSTRACT

*This study tells that the entrepreneur is one who alone manages the show of productivity through his precise decisions, better man power management, selection of right technology and putting his product in right market for faster returns. In a growing economy like that of India, where the market is enormous from rural to urban, lower to upper class. They play a significant role in improving the economy of our country.*

**KEYWORDS:** *Entrepreneur, Entrepreneurship, Economic Development, Liberalization.*

### Introduction

The industrial growth is possible by the will of an individual to invest money in his industry of expertise keeping in mind the risks involved and also chances of losses and pro-active actions to be taken in advance to curtail losses. In expert terms "Entrepreneurship lies at the center of economic development". It is rightly said that "the health of the economy of a country is viewed by the industrial growth of the country". Entrepreneurship is directly responsible for the all-round development of the country but also largely contribute for the industrial development of the country. In Indian context, India being a developing country, entrepreneurship is required in every sphere of the economy right from the basic- agriculture, horticulture, sericulture to the field of computers, software, rockets & satellites.

Since liberalization of Indian economic in 1991, many entrepreneurs have set their projects in India which have contributed to the society in terms of increase in GDP, employment and increase in per capita income but still there is a huge gap between the supply and the demand the products and the services which is possible only by more and more entrepreneurs coming up in the society.

### Entrepreneurship

It can be described as the ability of an individual to start a new business keeping in mind the obstacles which will come in the way, ways to overcome the obstacles, risk of financial losses, the ways to overcome them and eventually to get profit from his investment. Richard Cantillon: "An entrepreneur is a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise".

**J.B. Say:** "An entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield".

**Peter Drucker:** "An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource".

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### Characteristics of Entrepreneur

Entrepreneurs are not normal human being. They are blessed with some unique power which keep them apart of normal individuals. Some of them are:

- **Passion and Motivation:** They have got a passion for their goal and know ways and means to achieve it. They also remain motivated and motivate their fellow teammates
- **Self Belief:** One of the most important characteristics of Entrepreneur is Self belief. When one is having 'self belief' he can overcome many challenges and come out as a achiever. He is also hard working, disciplined and dedicated for his goals.
- **Flexible:** By Nature, he is not stub-born. On the other hand, he is flexible in his approach and also adaptable to various situations.
- **Product and Market Knowledge:** The main characteristics of Entrepreneur is that he is having complete of knowledge about his products and about the market which he is going to promote. This called. "Product- Prospect matching"
- **Strong Money Management:** Money is the key factor for running a business. For successful Entrepreneur Strong money management is very much important.
- **Effective Planning:** If the planning is perfect, the result is bound to come, so a successful entrepreneur is one who plans his activities meticulously, in advance to get the best out of it.
- **A Risk Taker:** Successful entrepreneurs are always willing to take risk their time and money on individual on which they think they have some gain while evaluating they calculate the percentage of getting success on their mission.

### Necessity for Entrepreneurship

- **Development of Managerial Capabilities**

The biggest significance of entrepreneurship is that it develops managerial skills. He can foresee the up problems. Identifies them and select the base to resolve them and also searches in advance so that he might not face the same problems next time. This way he sharpens his skills of decision making managing obstacles and also man power management. With the knowledge about the use of new technology the entrepreneur can give better performance even in adverse circumstances.

- **Improves Standard of Living**

By creating productive organizations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standard of living. Hence entrepreneurship results into rise of globalization which results a variety for the same products for the countrymen.

- **Means of Economic Development**

Entrepreneurship involve creation and use of innovative ideas, maximization of output from given resources, development of managerial skills etc. and all these factors are essential for the economic development of a country.

### Role of Entrepreneurship

Entrepreneurship plays an important role in economic system. economic system determine the nature and scope entrepreneurship Economic system grow and takes shape under the influences of industrial policy, economic policy, socio-political and cultural ideas of the people. Entrepreneurship gives a fillip to new organizational forms and the economy has to adjust to these demands. There is direct correlation between the level of economic development and level of entrepreneurship and entrepreneur is a creator of wealth which is key to economic development.

Peter Ducker, said that, in all the countries in the world, the entrepreneurs are between 12% to 15%. This is very low percentage. If we talk about India, the percentage is between 3 to 4. It is absolutely necessary to increase this ratio for economic growth. The solution to this problem is to attract more and more people for entrepreneurship. Entrepreneurs initiate, increase and sustain the process of economic development in the following ways.

- **Capital Formation**

Entrepreneurs mobilize the idle savings of the public through the issue of shares and debentures and collecting deposits or through issues of industrial securities. Investments of public savings in industry result in productive utilization of natural resources. Thus, entrepreneurs increase the rate of capital formation which is essential for rapid economic growth. It also helps in the development of the country.

- **Increase in Per-Capita Income**

Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into productive form. Entrepreneurs can start new industrial units and also can introduce new products in the market. They thus, help to increase gross national product and net national income in the country and due to this per-capita income also increases.

- **Generation of Employment**

Entrepreneurs generate employment opportunities directly and indirectly. Directly means self-employment which is the best way for independent and honorable business or industrial life. Indirectly means by setting up business units which offer jobs to thousands of people. Thus, through entrepreneurship one can contribute in the solving the problem of unemployment in the country.

- **Economic Independence**

Entrepreneurship is essential for national self-reliance. Industrial entrepreneurs help to manufacture indigenous products which reduce the dependence on foreign countries. Businessmen by having their own export oriented units, export goods and services on a large scale and thereby earn a scarce foreign exchange for the country. Such import substitution and export promotion help to ensure the economic development.

- **Balanced Regional Development**

With more facilities available in urban areas, there will be a tendency on the part of entrepreneurs to start enterprises in and around big cities, causing migration of rural manpower. This creates an imbalance in growth of urban and rural areas besides causing heavy financial burden on the local authority and government for providing basic and essential amenities like housing, water, transport etc. for the migrated population.

Entrepreneurship balances the regional development. Government encourages the entrepreneurs to establish their business undertakings in backward, rural, hilly and mountain areas. This way such areas can be developed for industrial and commercial activities, this in turn, ultimately helps the areas to get employment, and to remain in touch with the modern changes in the world. They can improve their standards of living. Government is providing various types of financial and non-financial assistance and other infra-structural facilities required by the entrepreneurs to start business/industrial units. Government directly and indirectly helps in establishing industrial estates in backward and rural areas so that there will be a balanced regional development in the country.

Government provide various types of assistance to establish the business units in backward, rural, less developed, hilly and mountain areas to the entrepreneurs who initiate their enterprises in such areas where there is no banking facilities, transport facilities, power facility, repairs and maintenance facilities, communication facilities, etc. There are number of places, where only one or few factories were started. With the passage of time, these places gained importance and attracted other industries. As a place gains in industries, certain facilities usually begin to develop e.g. in public sector - Steel plants - BHEL, SAIL. in Private sector - Modi, Tata have put forth unknown places on international map.

- **Earning Foreign Exchange**

Entrepreneurship helps the country to earn foreign exchange. Due to the heavy demand of handicrafts, pharmaceuticals, chemicals, IT, processed food and other indigenous goods in foreign country, a large amount of foreign currency is snatched by it. Agricultural products like tea, coffee, wheat, sugar, cotton, etc. and other industrial and consumer products play an important role in earning foreign exchange. Government is encouraging our export businesses and also providing assistance to the exporters for increasing their exports. Government has established so many institutions for encouraging the entrepreneurs to the exportable goods.

- **Increase in Purchasing Power**

Entrepreneurship directly increases the production of goods and services. At the same time it provides employment, this in turn, increases industrial income and thereby it increases purchasing power of individuals. Again this can accelerates the pace of industrialization and economic development. Ultimately it demands a new class of entrepreneurs.

- **Contribution to Tax**

Tax is one of the sources of the government revenue. Government collects taxes under various heads of income. Then government spends it for the welfare of the country and balance of payment. Government as a result of this provides more and more incentives to the entrepreneurs to have their own units, then they have to pay taxes if they earn profit. They have to pay sales tax, income tax, excise, custom duties and local taxes, etc. which are the sources of income to the government.

- **Solving Unemployment and Underemployment**

Indian economy faces two major problems, (i) capital shortage and (ii) labour affluent, resulting on widespread unemployment. To meet this socioeconomic problem, we need to take up programmes to promote entrepreneurs who can set up small scale industries / enterprises, which have the potential of generating employment five times more than that of large establishments with the same amount of capital investment. In large establishments also, there is lot of underemployment, resulting in frustration and job dissatisfaction among qualified or experienced technical personnel. Hence government has undertaken schemes for the educated unemployed and the experienced technicians/ technologists to take up self-employment. A few such schemes are as follows:

- Prime Minister's "Rozgar Yojana"
- Priyadarshini Scheme of Bank of India (for women)
- National Equity Fund.
- Mahila Udyam Nidhi Yojana
- Refinance scheme of small industrial development of Bank of India for small and rural entrepreneurs.

- **Harnessing Youth Vigour**

The educated youth are more articulated and are conscious of their rights. When the state fails to provide them the opportunity to earn their livelihood, they become frustrated and channelize their energies to violent and other destructive activities. One effective way of harnessing is to the youth vigorous by entrepreneurial motivation, thereby providing them an opportunity for self-employment. The Government of India has taken up several programmes with these objectives.

- **Increase National Production**

National production is mainly to cater to the local and external needs. To play an effective role in the international market, we need to work for the opening up of sectors for employment and wealth generation. As the globalization process gets incorporated in Indian industry, our efforts should be not only to produce goods and services at competitive costs, but to carve out into the export market. Entrepreneurs need to focus their attention on exports and simultaneously plan for producing goods and services that will substitute an import, thus helping the nation in conserving foreign exchange, and rendering efficient service to the customers. With the development of entrepreneurs, there will be an overall increase in production and productivity both for national and international markets.

### **Challenges**

There are some challenges that entrepreneur will face in the coming years.

- **Strengthening the Overall Economy.** Entrepreneur continues to struggle in the economic downturn, and it will be important for policy leaders to get the economy moving again. Small enterprises will be a large part of that, as entrepreneurs will spur new innovation and employment in the coming years. These firms will continue to be the job generators that we have become accustomed to. With that said, industries will recover from the downturn in different ways, and some industries have clearly been hit harder this time than in past business cycles.
- **Attracting and Retaining a Quality Workforce.** Enterprise must compete for labour with their larger counterparts. This is more difficult in light of the disparity in total compensation, especially benefits, and the result is greater employee turnover. Demographic trends in the coming years might also exacerbate these challenges.
- **Global Competition** As if is truly said that with introduction of new technology and communication the world is shrieked to a small community but on the other side of this the competition becomes fiercer. An entrepreneur sitting at a local market of a colony has to complete with national and international brands as for as quality features, cost and after sales

services to his customers. In this scenario, the entrepreneur is experimenting newer and newer techniques to cope up this challenge. In this process they "outsource" skilled workers to get there job done at a low cost and in less time. They also started for "third party production" through which both cost and time can be saved. They can also opt for "Turn-key agreement" where the entire setup is done and managed by the other experts.

### Opportunities

- **Increase Investments in Technology and Innovation:** In the last few decades the market has changed dramatically. Now, the companies understand that their survival is dependent on contentions innovations and incorporation of newer technologies in their products. The glaring example of this is, 'The Ambassador car-' a car of Royal people 30 year back, now a produced in museum. So now, the Entrepreneurs started investing money in setting up Research and Developing (R&D) wing in their enterprises to increase based of customers and increasing life cycle of their products. Such innovations are vital to our economic growth and they will provide the tools to make our economy more competitive in an increasingly globalized market place.
- **Huge Rural Market:** As it is said about India under that "75% of India lives in villages, this statement says many things in itself. If our 75% population lives in villages, their demands are served by the local market so think about the huge, unexploited market which is inviting entrepreneurs to cater their needs and with the penetration of internet and other communication tools it is expanding like anything. This will nurture local and regional economy and also create more jobs.
- **Pursuing New Overseas Market :** In the present international scenario, the entrepreneurs have a huge opportunity to cater to the needs of international markets specially to the developed and underdeveloped countries because they themselves are ready to open their markets for Indian products as Indian products have a tag that they are quality produced with less cost. In this way the entrepreneur can cater to a very big market and bring Indian foreign currency "which is badly required for the growing economy like India. Also the developed countries like The U.S, The U.K, Europe are a very big market for Indian products.
- **Advancing education and Training:** In the last two decades, education has been given much focus by the gov. and the society as it is felt that the growth of the economy is possible when our generation will be literate and help the economy in many ways. Small entrepreneurs can train their work force so they can get better result in a stipulated time which can bring down the cost of their products and also better availability of their products. Now the gov. also actively helping them through 'Skill India' campaign where the gov. is giving training to the youth in many fields so that they can give a better yield to their owners which in a long run help the economy to flourish.
- **Govt. Initiative:** with the change in business environment now the gov. is also actively co-operating and promoting entrepreneur to setup their projects and helping them through many ways. Now each and every state is alluring entrepreneurs- small and big ones to set up their units in their states through better road connectivity, 24\*7 power supply, tax benefits and many other incentives, thus they are promoting regional economy and now with the involvement of Central gov. with their scheme like "Startup India" and "Stand up India" the environment for business is getting better and better.

### Conclusion

In India, about 75% population lives in villages with the increase in rate of literacy, penetration of communication and media. The rural market is bound to grow magnificently in years to come. This is a very big, untapped and virgin market which is waiting for the entrepreneurs to cater their needs. With the saturation of conservative markets the entrepreneurs have shifted their focus to this rural market. This will lead to investment in these markets which will produce employment of villages in their own towns. This will plug-in the influx of migration from villages to cities and in long run help in reducing the poverty of the villages. The evidence presented here suggests that the recent market reforms, globalization, liberalization, increased literacy, power communication and also involvement of gov.- both State and Central have a great impact on market and the coming year are very good for countries like India. I further conclude that India can generate additional economic growth by fostering entrepreneurial activities especially for the booming middle class segment of our society.

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