

The Role of Entrepreneur as a Key Indicator for Economic Development – A Study

Dr Rajendra Prasad G R

Faculty Member, Institute of Management Studies and Research, Kuvempu University, Jnana Sahyadri, Shankaraghatta, Karnataka, India

Abstract: The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The existence study explains about role of an entrepreneur to solve the problems of economic development. The study finds that the Increasing the number of productive business developed by entrepreneurs lead to increasing demand for labour. Indirectly, the study suggested that the businesses are able to absorb energy and reduce unemployment. Finally the study focus more on participation of entrepreneurs and their role for economic development itself includes more than just increasing the number of outputs.

Keywords: Entrepreneur, economic development, employable opportunities.

Introduction

Entrepreneurs play a vital role in Economic development. Entrepreneurs serve as the catalysts in the process of industrialization and economic growth .Economic development means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneur plays a vital role in economic development. Entrepreneurs serve as the catalysts in the process of industrialization and economic growth. Technical progress alone cannot lead to economic development, unless technological breakthroughs are put to economic use by entrepreneurs. The entrepreneur is the key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure.

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures. **Joseph A. Schumpeter** defined “entrepreneur as an individual who carries out new combines of means of production by which there occurs disequilibrium.

Key Elements

1. Innovation
2. Risk-taking

156	ISSN 2576-5973 (online), Published by “Global Research Network LLC” under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY).To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

3. Mission

4. Organisation

Review of literature

Aakash Ranjan (2019) in their study explains the Economic growth measured in terms of a sustained increase in real income. The study indicates that the entrepreneurial communities who complement and supplement the economic growth increase per capita income by identifying and establishing profitable business ventures. Entrepreneurs supplement the economic growth by enhancing the physical quality of life. Establishment of enterprises leads to increase in employment avenues both directly and indirectly. Consequently, poverty is alleviated as per capita income grows. This results in improving the physical quality of life which is an indicator of economic growth. Entrepreneurs help in the growth of infrastructural facilities such as roads, bridges, buildings, factories, etc. which are the cornerstones of economic growth. Establishment of factories and industries in a particular locality presupposes the growth of infrastructural facilities.

Dr.B. Sudha (2015) in their study explain the entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always looks for high achievements. He is the catalyst for social change and works for the common good. The number and competence of entrepreneurs affect the economic growth of the country. They look for opportunities, identify them and seize them mainly for economic gains. An action-oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals.

Michael Fritsch(2017) in their study explain the entrepreneur self-employment rate as an indicator of a regional culture of entrepreneurship and take it as an instrument to analyze the effect of entrepreneurship on economic growth in recent periods. The results indicate that German regions with a high level of entrepreneurship in the mid-1920s have higher start-up rates about 50 years later. Thus, a regional culture of entrepreneurship is an important resource for the persistence of entrepreneurship. Furthermore, we find that there is a significant effect of start-up activity on regional employment growth when using entrepreneurship culture as instrument for start-up activity.

Giuseppina Maria Cardella (2019) in their study explains the entrepreneur has increased noticeably, consolidating itself as a valid and current subject of study. This paper presents a systematic analysis of academic research and cluster analysis, which define the state of research about the relationship between family role and entrepreneurship. The study use the cluster analysis shows five main areas of literature development: (1) cultural dimension and gender issue; (2) family business and succession; (3) parental role models and entrepreneurial intentions; (4) entrepreneurship and self-employment; (5) family support and women entrepreneurs. Findings also show how this is a relatively recent field of study, with a multidisciplinary character.

Objectives of the study

1. To study the role and importance of entrepreneur for economic development
2. To study the influencing factor for improve the entrepreneur growth.
3. To analyze the key elements of entrepreneur for improving entrepreneurial activities
4. To elucidate the facilitate factors of entrepreneur for economic contribution

157	<p>ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY).To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

The Entrepreneur as a key indicator for Economic Development

Now people have begun to realise that for achieving the goal of economic development, it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the country's available resources land, tech., capital, material etc.

Economic development essentially means a process of upward change where by the per capita income of a country increases over a long period of time. The economic history of the presently developed countries like America, Germany, and Japan leads to support the fact that the economy is an effect for which entrepreneurship is the cause. The crucial role played by the entrepreneurs in the development of the western countries has made the people of under-developed countries too much conscious of the significance of entrepreneurship for economic development.

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions.

1. Capital Formation:

Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.

2. Improvement in Per Capita Income:

Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase net national product and per capita income in the country, which are important yardsticks for measuring economic growth.

3. Generation of Employment:

Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honourable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.

4. Balanced Regional Development:

Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail various concessions and subsidies offered by the central and state governments. Public sector steel plants and private sector industries by Modes, Tats, Birla's and others have put the hitherto unknown places on the international map.

5. Improvement in Living Standards:

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standards of life of a common man. These offer goods at lower costs and increase variety in consumption.

158	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

6. Economic Independence:

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country. Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. Backward and Forward Linkages:

An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example- the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc. These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

Entrepreneurs create an atmosphere of enthusiasm and convey a sense of purpose. They give an organization its momentum. Entrepreneurial behaviour is critical to the long term vitality of every economy. The practice of entrepreneurship is as important to established firms as it is to new ones.

Role of Entrepreneurs in Economic Development

1. In underdeveloped/developing regions, due to lack of funds and skilled labour, the atmosphere is less conducive for innovative entrepreneurs.
2. Under the conditions of paucity of funds and the problem of imperfect market, the entrepreneurs are bound to launch their enterprises on a small scale. Also initiator entrepreneurs are preferred in such regions. Thus, initiation of innovations introduced in developed regions on a massive scale is bring about rapid economic-development in underdeveloped/developing regions

I. Economic Conditions:

Economic environment exercises the most direct and immediate influence on entrepreneurship. Capital, labour, raw materials and markets are the main economic factors.

(a) Capital:

It is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. With an increase in capital investment, capital-output ratio also increases.

This results in increase in profit which ultimately goes to capital formation. This suggests that as capital supply increases, entrepreneurship also increases (e.g., Russia – how lack of capital for industrial pursuits impeded entrepreneurship).

(b) Labour:

The quality rather than quantity of labour is another factor which influence the emergence of enterprise. Adam Smith considered division of labour as an important element in economic development. According to him, division of labour, which itself depends upon the sizes of the market leads to improvement in the productive capacities of labour due to an increase in the dexterity of labour.

159	<p>ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

(But it appears that one labour problem clearly does not prevent entrepreneurship from emerging, for example, the problem of low cost immobile labour can be circumvented by plunging ahead with capital intensive technologies, as Germany did.)

(c) Raw Materials:

The accessibility of raw material for establishing any industrial activity, is indisputable. In the absence of raw materials, no enterprise can be established. Of course in some cases technological innovation can compensate for raw material inadequacy e.g., Japan.

(d) Market:

The fact remains that the potential of the market constitutes the major determinant of probable rewards for entrepreneurial function. The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in the market becomes more influential for entrepreneurship than a competitive market.

However, the disadvantages of competitive market can be cancelled to some extent, by improvement in transportation system, facilitating the movement of raw materials and finished goods and increasing the demand for goods. For example, Germany and Japan are prime e.g., where rapid improvement in market was followed by rapid entrepreneurial activities.

II. Social Factors:

Social environment in a country exercises a significant impact on the emergence of entrepreneurship.

The various sub factors are:

(a) Legitimacy of Entrepreneurship:

The social factors give emphasis to the relevance of a system of norms and value, within a sociocultural setting for the emergence of entrepreneurship. This system is referred to as “legitimacy of entrepreneurship” in which the degree of approval or disapproval granted entrepreneurial behaviour influences its emergence and characteristics if it does not emerge. Some scientists call it appropriate social climate for entrepreneurship and some call it cultural sanctions.

(b) Social Mobility:

It involves the degree of mobility, both social and geographical and the nature of mobility channels within a system. Some are of the view that a high degree of mobility is conducive to entrepreneurship (e.g., openness of a system and need for flexibility in role relations imply the need for the possibility of mobility within a system for entrepreneurship development).

In contrast, there is another group of scholars who express the view that a lack of mobility possibilities promotes entrepreneurship. The third opinion is a combination of first two, i.e., the need for both flexibility, the denial of social mobility. Thus a system should not be too rigid or too flexible. (If too flexible individual will move towards other roles, if too rigid, entrepreneurship will be restricted along with other activities).

(c) Marginality:

A group of scholars hold a strong view that social marginality also promotes entrepreneurship. They believe that individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial role.

160	<p>ISSN 2576-5973 (online), Published by “Global Research Network LLC” under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

They may be drawn from religious, cultural, ethnic or migrant minority groups and their marginal, social position is generally believed to have psychological effects which make entrepreneurship particularly attractive for them.

III. Psychological Factors:

(a) Need Achievement:

David Mc Clelland's theory of need achievement. According to him high need of achievement is the major influencing factor for entrepreneurship development therefore if the average level of need achievement in a society is relatively high, one would expect a relatively high amount of entrepreneurship in that society.

Mc Clelland says that need achievement can be developed through the intensive training programmes.

(b) Withdrawal of Status Respect:

Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship e.g., Japan developed sooner than any non-western society except Russia due to two historical differences.

First, Japan had been free from 'colonial disruption' and secondly, the repeated long continued withdrawal of expected status from important groups (like Samurai) in her society drove them to retraction which caused them to emerge alienated from traditional values with increased creativity.

This very fact led them to the technological progress entrepreneurial roles. Hagen believes that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group.

He postulates that four types of events can produce status withdrawal:

- (i) The group may be displaced by force
- (ii) It may have, its valued symbols denigrated
- (iii) It may drift into a situation of status inconsistency
- (iv) Not accepted the expected status on migration in a new society

He further postulates that withdrawal of status respect would give rise to four possible reactions and create four personality types:

- (i) Retreatism- He who continues to work in a society, but remains different to his work and position.
- (ii) Ritualist- He who adopts a kind of defensive behaviour and acts in the way accepted in his society but no hopes of improving his position.
- (iii) Reformist- He is a person who forms a rebellion and attempts to establish a new society.
- (iv) Innovator- He is a creative individual and is likely to be an entrepreneur.

Hagen maintains that once status withdrawal has occurred, the sequence of change in personality formation is set in motion. He refers that status withdrawal takes a long period of time – as much as five or more generations to result in the emergence of entrepreneurship.

Conclusion

Finally conclude that the interesting interaction of entrepreneurs and economic development has vital inputs and inferences for policy makers, development institutes, business owners, change agents and charitable donors. If we understand the benefits and drawbacks, a balanced approach to nurturing entrepreneurship will definitely result in a positive impact on economy and society. Entrepreneurship puts

161	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

new business ideas into practice. In doing so, it creates jobs that facilitate personal development. With their innovative and disruptive ideas, entrepreneurs can tackle social problems too. It's a worthy pursuit to consider, but if it's not for you, see how to pass down its principles to the next generation and enrol in How to Encourage and Teach Our Children Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as "an economy is the effect for which entrepreneurship is the cause"

References

1. Aakash Ranjan (2019), the Role of Entrepreneurship in Economic Development, American Journal of Management Science and Engineering; 4(6): 87-90, ISSN: 2575-193X (Print); ISSN: 2575-1379 (Online).
2. Dr.B. Sudha (2015)Entrepreneurship And Economic Development, International Journal of Multidisciplinary Research Review, Vol.1, Issue – 10, - ISSN –2395-1885 ISSN -2395-1877
3. Michael Fritsch (2017)effect of entrepreneurship on economic development—an empirical analysis using regional entrepreneurship culture, *Journal of Economic Geography*, Volume 17, Issue 1, ISSN - 2395-1877
4. Giuseppina Maria Cardella (2019) Entrepreneurship and Family Role: A Systematic Review of a Growing Research, Volume 117, Issue 1, ISSN -5635
5. <https://www.economicsdiscussion.net/entrepreneurs/role-of-entrepreneurs-in-economic-development/31496>
6. <https://www.evoma.com/business-centre/7-roles-of-entrepreneurship-in-economic-development-of-a-country/>
7. <https://accountlearning.com/role-entrepreneurs-economic-development-country/>
8. <https://ibusinessmotivation.com/roles-of-entrepreneurship-in-economic-development/>