

**ENTREPRENEUR'S ROLE IN EMPLOYMENT GENERATION AND
SUPPLEMENTING ECONOMIC GROWTH**

STRUCTURE OF THE LESSON :

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1.10.0 OBJECTIVES :

The major objectives of this lesson are :-

- Role of Entrepreneurship in Economic Growth
- Role of Entrepreneurship in Employment Generation.
- Entrepreneurship Environment
- Private Enterprises and Economic Growth.
- Entrepreneurial Urge.
- Entrepreneurship , Social Stability and Balanced Development.
- Environmental Analysis.

1.10.1 INTRODUCTION

Entrepreneurs play important role in the development of society. For example, the use of Jeans in America has created the demand for it throughout the world. Similarly Coca Cola has been accepted as a social drink. The introduction of the television has provided the society a means of information and entertainment. The

society has accepted the innovations of such entrepreneurs as Gillette, Wright Brothers, and Henry Ford. The inventions of these great entrepreneurs of the history have revolutionized the life style of people in the society. Modern business studies have a distinct entrepreneurial disciplinary approach to the study of entrepreneurship is much-disciplinary. It impinges on such areas as demography, economics, anthropology, business history, politics, sociology, psychology, marketing and finance. That is why entrepreneurship development becomes an integral part of the overall economic, social and industrial development of a country. This is what makes the identification and management of entrepreneurial functions a highly complex exercise. Thus entrepreneurship, the de facto barometer of overall economic, social and industrial growth has brought revolutionary changes in the society. It is the *sine quonon* of a nation's progress which has facilitated large-scale production and distribution. It has widened the area and scope of the marketing of goods and services. Perhaps it is for these reasons that the small business sector has been given priority in our national development' programmes for entrepreneurship flourishes when the size of business remains relatively small and viable.

Entrepreneurs perform vital functions in economic development. They have been referred to as the human agents needed to "mobilize capital, to exploit natural resources, to create markets and to carry on trade". It might well be said that the entrepreneurial input spells the difference between prosperity and poverty among nations. Japan is a place where entrepreneurs have achieved success by hard work as well as imagination and ability. The economic progress of USA and Western Europe also highlight the significance of entrepreneurship.

In newly industrializing countries, small enterprises became the focus of various approaches to entrepreneurial development since they function as "seed beds of entrepreneurial and managerial talent". The inadequacy of entrepreneurship is an inhibiting factor to accelerate the process of industrialization. In general, contemporary economists agree that entrepreneur is a business leader who has a pivotal role in fostering economic growth and development.

1.10.2 ENTREPRENEUR'S ROLE

Entrepreneurship is one of the most important inputs in the economic development of a country or a region. The number and competence of entrepreneurs affect the economic growth of a region. It is not wrong to consider entrepreneurship as panacea of the economic evils in a developing country. In fact, entrepreneurship is the dynamic needs of a developing nation and sustains the process of economic development in the following ways :

EMPLOYMENT GENERATION

Growing unemployment particularly educated unemployment is an acute problem of the nation. The available employment opportunities can cater to only 5 to 10 per cent of the unemployed. As discussed, wage employment is a self-saturating concept. When government creates, say a hundred jobs in various departments, 100 persons get employed and the vacancies are filled for thirty years or so, till these people retire and the vacancies reemerge. If hundred persons become entrepreneurs they not only create hundred jobs for themselves but also provide employment to many more. As the time passes these enterprises grow providing direct and indirect employment to many more. Thus, entrepreneurship is the best way to fight the evil of unemployment.

NATIONAL INCOME

National Income consists of goods and services produced in the country and those which are being imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with ever increasing population and standard of living. The export demand also increases to meet the needs of growing import due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus, entrepreneurship increases the national income.

DISPERSAL OF ECONOMIC POWER

The world affairs have been dominated by power. There have always been two types of power i.e., muscle power and economic power. In the modern age, the muscle power has lost its relevance and the world is ruled by the economic power. Economic power is the natural outcome of industrial and business activity. Industrial development normally can lead to concentration of economic power in few hands. This concentration of power in few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population. This in turn causes hindrance to the growth of monopolies, which exist partly because of lack of sufficient number of entrepreneurs. Setting up of a large number of enterprises for the goods helps in weakening the harmful effects of monopoly.

When a society produces a small number of entrepreneurs, the enterprises due to lack of competition grow into a few big business houses. This results in concentration of wealth in a few families. This can have a serious social and national implication. When the number of enterprises increases, a large amount of national wealth is also shared by a large number of entrepreneurs, thus, dispersing wealth. This dispersal of wealth promotes the real socialism and makes the economy healthy.

BALANCED REGIONAL DEVELOPMENT

The growth of industry and business leads to a large number of public benefits

like road transport, health, education, entertainment etc. When the industries are concentrated in selected cities, the development gets limited to these cities. Till late sixties, 50 per cent of industrial enterprises were located in only six cities of India. A rapid development of entrepreneurship ensures a balanced regional development. When the new entrepreneurs grow at a faster pace, in view of the increasing competition in and around the cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of the backward regions.

If a region does not throw up a sufficient number of entrepreneurs, the needs of the local population for the goods and services remain unsatisfied. The entrepreneurs from the other places step in and set up enterprises to fulfill the pent up demand of the local people. These alien entrepreneurs do not invest the major part of the profits in the areas in which the unit is located. Usually, the profit is invested at a place where the entrepreneurs come from. Such entrepreneurs invest their profits in constructing their houses etc., at the place of their origin. Thus, the backward areas do not get benefits of business or industrial profits. This drainage of wealth results in further deterioration of the area. The practice of siphoning the profits earned through entrepreneurial activities based on local resources by alien entrepreneurs has been compared with the blood sucking process practiced by leeches, and termed as 'leech effect' by Dr. M.M.P. Akhori.

HARNESSING LOCALLY AVAILABLE RESOURCES AND ENTREPRENEURSHIP

India is considered to be very rich in natural resources. In spite of more than four decades of planned development a large number of states have remained economically backward. A few large scale industries started by entrepreneurs from outside the state in an economically backward areas may help as models of pioneering efforts, but ultimately the real strength of industrialization in backward areas depends upon the involvement of local entrepreneurship in such activities. Increased activities of local entrepreneurs will also result in making use of local resources available in abundance.

SOCIAL STABILITY

Many problems associated without unrest and social tensions are rightly considered to be due to youth not being engaged in productive work. In the changing environment where we are faced with the problem of recession in wage employment opportunities, alternative to wage career is the only viable option. The country is required to divert the youth with latent entrepreneurial traits from wage career to self-employment career. Such alternate path through entrepreneurship could help the country in defusing social tension and unrest amongst youth.

INNOVATIONS IN ENTERPRISES

Business enterprises need to be innovative for their survival and better

performance. It is believed that smaller firms have relatively higher necessity and capability to innovate. The smaller firms do not face the constraints imposed by large investment in existing technology and thus they are both free and compelled to innovate. The National Science Foundation, an organization in USA found that small companies produce four times more innovations per research dollar than do bigger companies. Entrepreneurship development programmes are aimed at accelerating the pace of small firms' growth in India. Increased number of small firms is expected to result in more innovations and make the Indian industry compete in international market.

IMPROVEMENT IN LIVING STANDARDS

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

ECONOMIC INDEPENDENCE

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products, thereby reducing the 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.

1.10.3 HOW DOES ENTREPRENEURSHIP BOOST ECONOMIC PERFORMANCE

Studies show that one third to a half of the differences in economic growth rates among industrialized countries can be attributed to differences in the level of entrepreneurship. The level of entrepreneurial activity in the United States stands among the highest of all industrialized countries. Low-income developing countries also tend to have relatively high levels of entrepreneurship, but their high levels arise mostly from necessity or from limited alternatives. The high level of entrepreneurship in the United States, on the other hand, is mostly opportunity based. Only 15 percent of Americans starting a new business do so because they lack other job opportunities. Most do so to pursue opportunities that would boost their standard of living. In the United States, unlike most parts of the world, high wealth individuals are the ones more likely to switch into self-employment. But how does entrepreneurship boost economic growth rates? The conceptual link is clear, entrepreneurship fosters innovation. A half century ago, Joseph Schumpeter asserted that the hallmark of capitalism is innovation, "the sweeping out of old products, old enterprises, and old organizational forms by new ones." a process called "creative destruction."

More recent research by John Haltiwanger, an economist at the University of Maryland and the National Bureau of Economic Research and a visiting scholar at the Federal Reserve Bank of Kansas City, has focused on the rise and fall of businesses in the United States, seeking to understand the inner workings of Schumpeter's creative destruction. Haltiwanger's research paints a picture of a churning business environment in which new firms are developing and growing at the same time older business are maturing, falling behind, and eventually shutting down. This noisy process, which involves a lot of trial and error, produces a continual and extensive reallocation of labor and capital from the old to the new. And a growing body of evidence indicates that the productivity of the new, entering businesses is higher than that of the older businesses they replace.

Thus, innovation is a critical link between entrepreneurship and economic growth. Innovation boosts productivity which leads to higher growth rates for our economy and a rising standard of living for our citizens. As a result of the innovations of entrepreneurs and others, gains in productivity have been greater in the United States during the last decade than in nearly every other industrial nation.

Around the globe, the action of entrepreneurs creates jobs and boosts local incomes and wealth. In United States, small businesses are contributing much towards job growth.

Substantial majority of business start-ups in the United States employ at least one person in addition to the proprietor, and almost a quarter of them plan to employ 20 or more people within their first five years. Data from the U.S. Department of Labour show that the earnings of successful self-employed entrepreneurs are typically a third higher than the earnings of the typical wage-and-salary worker, and the earnings of entrepreneurs who have incorporated their businesses are considerably higher. Whether the lone individual starting from a garage or a corporate executive starting a new division, the entrepreneur initiates change and improvement and keeps our nation's economy dynamic and vibrant.

1.10.4 WHAT ELEMENTS SUPPORT AN ENTREPRENEURIAL ECONOMY?

A number of elements are critical for a successful entrepreneurial economy. Surely a unique entrepreneurial spirit is a part of the mix, but a supportive environment is crucial. In brief, entrepreneurship flourishes in an environment where ideas can bubble up and become productive and marketable and where business start-ups can readily grow and mature.

Many individuals in every society tend to match the characteristics of historically successful entrepreneurs, such as self-confidence, perseverance, insight, and the willingness to bear risk and cope with uncertainty. Whether or not enough of these prospective entrepreneurs thrive, however, depends on the institutional

environment in which they operate. A number of criteria define a supportive entrepreneurial environment.

Chief among these criteria are the security of property rights and the rule of law, which are critical to the existence of well-functioning markets. Well-defined legal entitlements and the absence of bribery and other forms of corruption by those in power reduce the risk of losing assets, lower the costs of business transactions, and speed the transfer of research and development and technology. We often take property rights and the rule of law for granted in India. In many places, however, these are not so assured. For example, infringement of intellectual property rights is a major problem around the globe. The World Customs Organization estimates that 5 to 7 percent of global merchandise trade involves counterfeit goods, which is equivalent to lost sales of half a trillion dollars a year. Perhaps nowhere is this a bigger problem than in China. Fortunately, the Chinese government is beginning to crackdown on these infringements. The impetus for change seems to be that Chinese companies themselves are beginning to become hampered by counterfeits of their own products. In contrast, the United States provides stronger patent protection than most of its trading partners, and the strengthening of intellectual property rights since the early 1980s has been accompanied by an expansion in research and development and a surge in patents. A second key criterion for a high-growth, entrepreneurial economy is an open market that encourages competition without artificially protecting one group of producers from another. This is particularly important for entrepreneurs because they deal with new goods and services or new processes, thereby challenging the status quo. Without open and flexible markets, new ideas would be more difficult to introduce. To be sure, the keen competition that accompanies an open marketplace leads to the failure of some businesses. Free and flexible markets enable the closing of businesses that have run their course, rather than artificially propping them up at high cost. Such failure is a critical part of Schumpeter's creative destruction, clearing a path for more efficient, more innovative businesses. The result is a dynamic and vibrant business environment that rewards innovation, efficiency, and continual improvement.

1.10.5 ENTREPRENEURSHIP ENVIRONMENT

Entrepreneurship environment refers to the various facets within which enterprises-big, medium, small and others, all have to operate. The environment therefore, influences the enterprise. By and large, an environment created by political, social, economic, national, legal forces, etc. influences entrepreneurship. Entrepreneurial environment is broadly classified into six important segments, namely, (1) Political environment, (2) Economic environment, (3) Social environment, (4) Technological environment, (5) Legal environment, and (6) Cultural environment.

These environments includes the following :

- * **Political Environment** - Political Atmosphere, Quality of Leadership
- ***Economic Environment** - Economic Policies, Labour, Trade, Tariffs, Incentives, Subsidies
- ***Social Environment** - Consumer, Labour, Attitudes, Opinions, Motives.
- ***Technological Environment**- Competition and Risk, Efficiency, Productivity, profitability
- ***Legal Environment**-Rules and Regulations
- ***Cultural Environment** - Structure, Aspirations and Values

1.10.5.1 PRIVATE ENTERPRISES AND ECONOMIC GROWTH

The existence of uncertainty in the Economy calls for the attention of entrepreneurs to play a leading role in the growth process. Individual entrepreneurs such as farmers and small businessmen and individual enterprises dealing with manufacturing, construction, transport, and wholesale enterprises and collective farms, continually face risks. Whether they are privately or publicly owned, they must take account of uncertainty. Private entrepreneurs and the managers of private enterprises take risk, despite the heavy costs of failure because of the possibility of high profits or large bonuses. In any case, they must run their business efficiently if they are to make a profit and survive. The problem usually arises because major industrial decisions, which will affect the lives of thousands of ordinary people, are taken without proper planning and without public consultation. The result is that environmental activists have no choice but to fight a rearguard action. This often gives the impression that environmental activists are against all growth and industry. In fact, they are more conscious of the need for a balanced approach to growth and industry. All they say is that industrial decisions ought to be taken after considering the impact on environment and also that the public has a right to know all details.

Environmental activists have repeatedly pointed out the havoc caused by some of our petrochemical, heavy chemical, dyestuff and other polluting industries, as also the environmental damage caused by large-scale open mining, quarrying and deforestation, which will take decades to reverse. For their dogged determination, these environments deserve our gratitude. At the same time, it is now clear that technology has advanced significantly to allow efficient use of resources. Worldwide, industry has become conscious of the need to use renewable resources as far as possible and utilize non-renewable resources within planned limits. With potential development taking place in the industry, we should learn from past incidences of industrial disasters leading environmental disaster and ensure further growth, consistent with environmental protection. In contrast, the managers of public

enterprises (whether directly or indirectly state-owned or collectivity-owned) tend to be risk-averse. Indeed, risk-averse is usually, and perhaps inevitably give emphasis to public service training. Entrepreneurs and managers of these enterprises must be offered incentives to boost their efficiency and to take risks. In this case, devising appropriate incentives become imperative. A variety of possible measures-some positive, such as bonuses for managers, and some negative, such as budget and operational controls-can be used in the public sector, even so, the problem often remain intractable.

If an economy is made up of a large number of entrepreneurial units, risks can be spread among them. Even though some enterprises fail, others will be successful and the economy as a whole can grow rapidly. When inefficient units do not have access to subsidies or to other public assistance, they must improve their competitive position or disappear. Such failures need not be excessively costly because the economy's expansion creates job and income earning opportunity for entrepreneurs and employees of failing enterprises. Some of these may be in "informal" or small-scale activities and may not be counted in the formal employment sector. Nonetheless, they provide gainful employment.

Unfortunately, experience shows that private enterprises have to compete to survive. In most countries public enterprises are protected from failure by implicit or explicit subsidies. Public enterprises are often expected to create employment opportunities for political reasons. But allowing public enterprises to operate inefficiently will mean very heavy costs in the long run. It affects not only a country's ability to produce efficiently but also its capacity to save and invest for future production.

1.10.5.2 ENTREPRENEURIAL URGE

Entrepreneurship is the creative 'elan' of industrial development, which for historical reasons is feasible especially in backward areas. It is not feasible to expect entrepreneurial urge among people who live in poverty, illiteracy and ignorance. Conceptualization of entrepreneurship in terms of self-confidence, optimism, achievement motivation and other such attributes constituting the variable, residual non-marketed services receiving the residual profit income as payment (Kilby) does not have any meaning in backward areas; because these qualities themselves need a minimum of economic well-being below which the hard preoccupations with the basic needs of life leave no room for critical reflection and initiative necessary for any enterprise. Entrepreneurial qualities are born of an environment through individuals' creative response to potential opportunities.

An entrepreneur needs a clear perception of economic opportunities and the investment capacity to pursue these opportunities. In backward areas where the

basic struggle for existence is so tough, per capita income is low and where illiteracy or low level of education prevents access to business information or ideas, there exist neither perception of opportunities nor the capacity to exploit these opportunities. Not only the environment is timid without brisk activities or aggressive ideas but also men are too deprived to have an urge to know and grow. When we think of the capacity to participate in the development process, into the cosmetic growth of the soil by outsiders' investment and outsiders' profit. No effort will be successful to convert such people into entrepreneurs unless we realize the basic symbiotic nature of entrepreneurship which is inextricably integrated with their total life-situation and environment. Therefore, in developing an environment and changing the life-situation, we take the first step to develop entrepreneurship.

1.10.5.3 SIGNIFICANCE OF ENTREPRENEURIAL ENVIRONMENT

A study of socio-political and economic environment has a great social and economic significance to the growth of entrepreneurship. Modern business is treated as a social and economic institution and is affected by the political, social and economic forces. The political environment, industrial policy, licensing policy, foreign exchange regulations, banking policy, technological development and social change form the framework within which an enterprise has to work. It is for these reasons that all business plans must be based on the immediate environment. An entrepreneurial plan cannot be framed and finalized for its implementation without its relevance to the political, social, economical and technological requirements. In fact, it is environment, which regulates entrepreneurial activities. Business environment has a positive relationship with the development of entrepreneurship.

1.10.5.4 SOCIAL STABILITY AND BALANCED DEVELOPMENT

It has been argued that the development of industries be preceded by development of agriculture which introduces certain economic changes that culminate in industrial activities. "a developed mass agriculture is normally needed before you can have widespread successful development in other sectors" (Michael Lipton : Why Poor People Stay Poor?). But we cannot, perhaps, wait that long till "developed agriculture sector provides wages goods and savings capacity" needed to support rapid industrialization. If agricultural development does not create savings for inducements on certain selected nucleus industries, leading to a number of ancillary and other related industrial units. This method has gained wide acceptance. But before such nucleus industries are set up in backward areas, necessary infrastructural facilities lead to a development is the real development area utilise the available skills and capacities of a large number of small artisans or farmers. Otherwise, the entrepreneurial opportunities, thrown up by such nucleus industries will be exploited by affluent entrepreneurs from outside who have the capacity to

invest. It has been seen that entrepreneurs from developed areas have normally gravitated towards these backward areas, which are contiguous to developed business centers with a view to availing themselves of the incentives and concessions. But such enterprises have not created any economic impact on the people of the backward areas except, perhaps, creating some negligible employment avenues. It, is therefore, very important to ensure that the infrastructure facilities created to pave the way for nucleus industries are extended to cover vast multitude of small artisans or farmers whose products can be processed in the nucleus industries. "An integrated infrastructural programme geared to the needs of small-holder farms and small-scale enterprises is the best means of promoting both types of productive activity". (J. Muller : Promotion of the Manufacture of Rural Implements in the United Republic of Tanzania). For example, if there are a number of small dairy farmers, a central refrigeration plant can serve all the farmers in the area by an active network of communication. As a result, each farmers in the benefit of an assured market and an enhanced income. If a large number of farmers are producing soyabean, a central soyabil processing unit would serve as ideal nucleus plant.

Such a step would not only integrate agricultural development with industrial development, it would also bring about a pervasive growth of both. On the other hand its ancillaries would also bring about a pervasive growth of both. If a unit manufacturing some sophisticated machinery is the nucleus plant, its ancillaries would also need the precision or sophistication which will not be possible to achieve its in the capabilities of the target-beneficiary group whom we want to develop through the development of backward areas. "As Paul Streeten has said, "Industry should produce consumer goods required by the people, the majority of whom live in the countryside, hose and simple power-tillers and bicycles, not air conditioners or expensive cars and equipment's.

Much of the recent criticism of inefficient, high cost industrialization behind high walls of protection and quantitative restriction should be directed at the types of product and technique which cater for a highly unequal income distribution and reflect entrenched vested interests" (Paul Streeten: "Industrialization in a United Development Strategy," World Development, January, 1975). Actually the production of simple goods depends on the character and potential of a particular backward areas; and the essential infrastructure so development that it would be capable of sustaining active linkages between the subsidiary units in the villages and the central unit.

1.10.6 ENVIRONMENTAL ANALYSIS

Environmental analysis is a relative term. For any business, all environmental forces will not work in same direction. Whatever environmental factors are working

positively in north India, may not be suitable for South. So, a careful analysis is required at each stage.

This integrated approach, which is the key to the development of backward areas, implies a very careful environment analysis or research study of the target groups of beneficiaries and their activities can be linked with the covering enterprise. Unless these studies are made meticulously, the entire planning will only give unproductive results. Most of the development schemes fail to benefit the target clientele because elaborate linkages are not identified and built up. An imaginative study should-

1. Identify the beneficiaries or target group
2. Analyse the environment for immediate feasible enterprises in an integrated manner;
3. Delineate the linkage and institutional arrangement;
4. Recommend appropriate organisational structures to provide necessary promotional support.

1.10.6.1 INDIAN SCENARIO

Unfortunately, in most of the studies on backward areas, there is a tendency to make generalisation and ignore the details of really feasible project. As a result, immediate perception of concrete opportunities by interested entrepreneurs is left in confusion. Sometimes "Area Studies" make a general statement of demand and resources and recommend certain enterprises, which are not immediately feasible due to important reasons unaccounted for in such 'studies. It is also not seriously contemplated whether the recommended enterprises are feasible within the capabilities and investment capacity of the target-group. In short, most of the studies fail to discern the real issues of growth in the target area and fail to identify the concrete and specific needs of these endowments like resource, skill etc. to flourish enunciation of general objectives and generic beneficiaries tend to blur the distinct contours of one homogeneous group from the other. Also, the extension of certain standard facilities or services does not serve their actual needs. All this possibly happens because in such basic studies, we fail to identify clearly the target-group and their specific problems, and make theoretical studies on resources and demand in an impersonal manner, as a result of which even the schemes devised on the basis of such studies tend to become too impersonal and rigid. Sometimes, the schemes become so inflexible on account of a standardized petrified approach that in some most genuine cases demanding a certain departure from the fixed framework, the scheme is incapable of giving requisite help. It is, therefore, absolutely necessary that any action plan for a backward area must first identify the target-group, identify the specific services they need for monitoring their enterprises and devise an appropriate, structural support for comprehensive coverage of their needs.

The characteristics of entrepreneurship are knowledge, vision, meticulous planning, dynamism, hard work, gambler's instinct and may be, a certain degree of ruthlessness for achieving results as per the plans. India is ranked relatively high in entrepreneurial capacity-but is lacking in physical infrastructure, educational support, and R&D transfer, according to the Global Entrepreneurship Monitor (GEM) project's India Report 2001, released this week by the N.S. Raghavan Centre for Entrepreneurial Learning at the Indian Institute of Management, Bangalore (IIMB).

The Global Entrepreneurship Monitor (GEM) project was launched in 1999 at the joint initiative of the London Business School in the UK and Babson College in the US. The project began with 10 country members in 1999, reached 29 countries in 2001 (such as Australia,, Canada, Brazil, Hungary, Ireland, Japan, Korea, Singapore, Sweden), and may cross 40 this year; IIMB joined in 2000.

Two sets of surveys were conducted to address three key questions : How does the level of entrepreneurial activity vary between countries? What conditions make a country entrepreneurial? And how does the level of entrepreneurial activity affect national economic growth?

In the first set of research, a national survey was conducted by research firm A.C. Nielsen: 2,011 respondents in the age-group of 18-74 were selected from the urban and surrounding rural populations of 8 randomly chosen cities in India, which turned out to be Delhi, Bareilly, Ahmedabad, Nasik, Hyderabad, Hubli, Calcutta, and Ranchi. And here is perhaps one of the most glaring gaps in the research: an exclusion of key cities like Bombay, Bangalore, Chennai and Pune. Perhaps this can be adressed in future reports-which would also add a focus on specific industry verticals like manufacturing, pharmaceutical, agribusiness, IT, telecom and biotech, which are all quite different for entrepreneurial activity. Separately, in the second research set, interviews on entrepreneurial framework conditions were also conducted with 36 key experts by IIMB professors, 4 experts were interviewed to assess each of the following 9 factors : financial support to new firms (equity, VCs, public subsidies), government policy (license, taxes), government programmes (incubator programs), educational support (promotion of entrepreneurial skills via school/college courses), R&D transfer (between government, universities and private sector), legal infrastructure, market openness, physical infrastructure (telecom, utilities, speedy applications), socio-cultural support.

Demographic data was gathered in the city surveys, as well as responses to questions about entrepreneurial activities, background, investment, and employment opportunities. Demographically, the subjects were reasonably well distributed, but there was a 70-30 percent urban-rural imbalance. Entrepreneurial activity was classified as autonomous start-ups, startups as part of one's job, owning and managing a business, and investing in other's business.

Based on the Total Entrepreneurial Activity Index (TEA), India is ranked high in necessity based entrepreneurship, but low on opportunity-based entrepreneurship: the former is apparently more highly correlated with projected national economic growth than the latter. Due to social rigidities, Indian women are half as likely as men to be entrepreneurs. Younger, moderately educated, and reasonably well-off people are more likely to be entrepreneurs. The types of startups encountered (established within the last 42 months) were mostly consumer-oriented, comprising of trading activities; most have just about a handful of employees. Main sources of funds in decreasing order were personal, financial institutions, close family members, and government programmes.

The wheels of Indian bureaucracy still turn too slow for entrepreneurs, the educational system is not good at promoting entrepreneurial skills and attitudes, Indian institutes have not been as good as multinationals in R&D transfer, and India's physical infrastructure ranks lowest among the countries surveyed in the report - all prime areas for study and improvement by policy makers, academics and business leaders.

The history of entrepreneurship in India can be divided into the following phases: pre-colonial, colonial, pre-liberalisation, and post-liberalisation, SIDB, SIDC, SIDO, NIESBUD, and NISIET are some of the recent government-launched initiatives to assist entrepreneurs. Industrial clusters (as a Italy) and rural industrialization will play an important role in India. More emphasis on self-employment as well as fostering networking among entrepreneurs are important. It would be worthwhile to quote the words of Rahul Bajaj (as cited in "Everyday Entrepreneurs" by Aruna Bhargava) : "If we could have one entrepreneur in every family, India's economy would skyrocket."

It is very often said that "India is a rich country inhabited by the poor?". India is endowed with plenty of natural resources and good climate. But the country has not made much economic progress, as it should have been made. Natural resources themselves will not produce economic development. There must be people with vision, initiative and drive to make use of the natural resources. In India, what we require is "entrepreneurship" in an individual to productively integrate sources and enhance economic growth.

To sum up, entrepreneurs have created business that have grown, sometimes very quickly, to employ millions of citizens, to generate billions in income and wealth, and to create trillions in market value. These businesses were not identified by government planners, but rather by individuals with a vision and a persistent desire to succeed. The government played its part by providing a stable environment, a rule of law, the infrastructure necessary to succeed, and fiscal and monetary policies that facilitated markets and price signals. We should remember the importance of

each institution's role as we think about our future. Looking at the strength of our nation's economy and our role in the world. During the past decade, economic growth in India has by far outpaced many countries. We have a system not so different from theirs; but still enough different, enough more innovative, and enough less burdened by government to enable our greater success. Today, less developed nations that are beginning to generate economic success are doing so by adopting our model to promote innovation and growth.

1.10.7 SUMMARY

Entrepreneurs play important role in the development of an Economy. Entrepreneurship is one of the most important inputs in the economic development of a country or a region. The number and competence of entrepreneurs affect the economic growth of a region. It is not wrong to consider entrepreneurship as panacea of the economic evils in a developing country like India. Entrepreneurs perform vital functions in economic development. They have been referred to as the human agents needed to "mobilize capital, to exploit natural resources, to create markets and to carry on trade". It might well be said that the entrepreneurial input spells the differences between prosperity and poverty among nations. Japan is a place where entrepreneurs have achieved success by hard works as well as imagination and vision. The economic progress of the USA and Western Europe also highlight and significance of entrepreneurship.

1.10.8 SELF-ASSESSMENT QUESTIONS

1. How Does Entrepreneurship Boost-up Economic Growth? Discuss.
2. What Elements Support an Entrepreneurial Economy? Discuss.
3. What is Entrepreneurship Environment? What are its components?
4. Discuss the relationship between Private Enterprises and Economic Growth.
5. What is the significance of Entrepreneurial Environment?
6. How entrepreneurship brings Social Stability and Balanced Development?

1.10.9 REFERENCES AND SUGGESTED READINGS

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