

## THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

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### **Abstract**

The capacity to see a market need for a new product and then fill it is at the heart of what entrepreneurs do. According to conventional neoclassical theory, a country's economic development is contingent on its degree of technology, as well as its availability of both labor and capital. Both primary and secondary sources were used in this investigation. A descriptive and cross-sectional survey approach was used for this investigation. Since there was a dearth of chronological data on Indian entrepreneurship and long-term economic development, a narrative-textual case study approach was used. This research suggested that individuals may be more oriented toward self-sufficiency if there was better governmental coordination and stability, the provision of required infrastructure, and curricular improvements. Micro- and small- and medium-sized enterprises (SMEs) that are thriving are crucial to a nation emerging from an economic crisis and creating a thriving economy. Nonetheless, policymakers should take note of these findings because they suggest that, in addition to concentrating on more conventional causes of economic development, a nation should also allocate resources toward actively supporting entrepreneurialism.

**Keywords:** Entrepreneurship, Economic, Development, Innovation, India

### **INTRODUCTION**

Given its importance to the economy, the promotion of entrepreneurship has gained prominence in recent years. Industrial advancement, regional progress, and the creation of new jobs all rely on the success of new businesses. Greater employment opportunities for the unemployed youth, higher per capita income, higher standard of living, and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development are all the fruits of industrial development, the seeds of which are entrepreneurs. Entrepreneurship plays an important part in a flourishing economy. After all, company owners have a multiplier effect on the economy via things like job creation, technological advancement, and the introduction of novel consumer goods and services.

As a result of entrepreneurial efforts, the economy expands and diversifies, and new wealth is created. Let's quickly summarize the relevance of entrepreneurship in economic growth before diving into the intricacies. Because economic growth is defined as a rise in a country's total production, or Gross Domestic Product (GDP), growth is more concerned with the quantitative than the qualitative aspects of development. "Development," on the other hand, is a more general term for indicating a change in quality. Beyond only increased productivity, it also takes into account other areas of life such as health, education, and the environment. Many other approaches have been tried to overcome the shortcomings of GDP-based measurement and to include aspects beyond production, ranging from a straightforward adjustment of GDP (to account for social and environmental concerns) to the assessment of subjective well-being. As the variety of measuring choices demonstrates, there is no agreement on the best approach to tracking progress. How the range of affecting elements should be chosen is likewise unknown. Even though the conventional, GDP-based approach is included among the growth theories covered in this article, there is significant variation between them in terms of the quantity and nature of the components considered, the starting point of the study, and the technique used.

### **LITERATURE REVIEW**

**Dhaliwal, Amrita (2016)** The entrepreneur, according to the research, serves as a "trigger head," setting off a chain reaction of economic activity with his own initiative. He is crucial to the growth of the agricultural and service industries as well as the country's industrial base. Like any gambler, business owners may improve their odds of success by playing their cards wisely. Each economy's material resources, industrial environment, and receptive political structure determine how important entrepreneurship is to the country's economic growth. Innovative products and services created by business owners create new jobs, which may start a domino effect that benefits the economy as a whole. If we weigh the pros and cons, encouraging entrepreneurialism may have a beneficial effect on the economy and society as a whole.

**Sudha, B. (2015)** The spirit of enterprise is crucial to a nation's progress. It's a crucial factor in boosting the economy as a whole. One definition of an entrepreneur is someone who takes the initiative, learns quickly, and is highly motivated to start their own company or industry with the goal of achieving great success. He promotes positive transformation in society and serves the general good. The health of a nation's economy is influenced by the availability and caliber of its entrepreneurial class. They actively seek for, recognize, and grab chances for the sake of financial gain. An entrepreneur who takes immediate, decisive action is a highly analytical, goal-oriented, and risk-taking person.

**Buah, Aku & S. Gubik, A. (2019)** Economists, sociologists, psychologists, and many other professions have recently paid a great deal of attention to the theoretical and empirical relationship between entrepreneurship and economic development. The establishment of new businesses, new employment opportunities, and overall economic growth and development are often seen as the most significant outcomes of an entrepreneurial spirit. In this study, we examine the theories of economic development and how they relate to the role of entrepreneurs. Endogenous growth theories are discussed in this article alongside classical and neoclassical models of economic expansion. As we will see, however, entrepreneurship does not make an overt appearance in any of them and must be inferred from the context. The paper also examines some of the competing ideas that attempt to fill this void in the existing literature. The goal of this study is straightforward: to examine current growth theories and apply them to the question of how entrepreneurs contribute to economic expansion and development.

**Nepal, Achyut (2020)** An economic indicator may provide a snapshot of the economy as a whole, including output, revenue, and resource exchange. Reporting on the status of the economy by the government does not provide a clear picture of the state of society as a whole. The pace of economic growth is often used as a proxy for a country's degree of development, however the fact that widespread poverty persists despite this fact has been widely noted. What constitutes true economic growth is a point of contention. State governments are often credited with all of the success that has come from creative initiatives. It is not enough to just investigate government effort, but it does not mean we should ignore the government's involvement in producing creative results for the public's benefit. Various groups or communities are contributing to the progress. Self-starters, experts in their fields, and agents of positive social change, social entrepreneurs are the driving force behind initiatives that benefit all members of society. They aren't initially driven by financial gain, but stand to make a lot of money off of their innovations if they pan out. A look back at economic history demonstrates that the guiding ideology of a state has a major impact on how that history is interpreted. Along with an examination of the link between social enterprise and progress, this article also examines the key tenets of several political philosophies and how they relate to social enterprise. A few examples of social entrepreneurship in Nepal are provided to illustrate the importance of entrepreneurship in uplifting underprivileged communities and individuals. Key takeaways include the fact that social entrepreneurs often act on a whim, but that the state may also play a supportive role. It is essential to remember that development is not only the sum of economic indicators, but rather the state of society as a whole.

## RESEARCH METHODOLOGY

### Statistical Methodology

By regressing per capita Gross National Income (GNI) against business entry rate, ease of doing business index rating, labor participation rate, gross capital formation per capita, education spending per student, and R&D spending per capita, we can gauge the contribution of entrepreneurship to economic growth. The link between economic growth and the various factors is investigated by this regression. The regression equation is shown in the next section.

Regression of Gross National Income

$$GNI = \beta_0 + \beta_1 BENTRY + \beta_2 BEASE + \beta_3 LABOR + \beta_4 PERCAPITACAP + \beta_5 RDSPEND + \beta_6 SUMEDU + \varepsilon_0 \quad (1)$$

Bentry is regressed against bease, labor, percapitacap, sumedu, and rdspend to evaluate the amount to which these conventional determinants of economic growth influence entrepreneurial activity.

Include interaction variable in GNI regression equation

$$GNI = \beta_0 + \beta_1 bentry + \beta_2 bease + \beta_3 labor + \beta_4 percapitacap + \beta_5 rdspend + \beta_6 sumedu + \beta_7 i + \varepsilon_0 \quad (2)$$

### Sources of data

Both primary and secondary sources were used in this investigation.

**Research design**

This research was conducted using a descriptive, cross-sectional survey approach. The questionnaire was designed to elicit answers that provide light on the investigated topic.

**Sample Size**

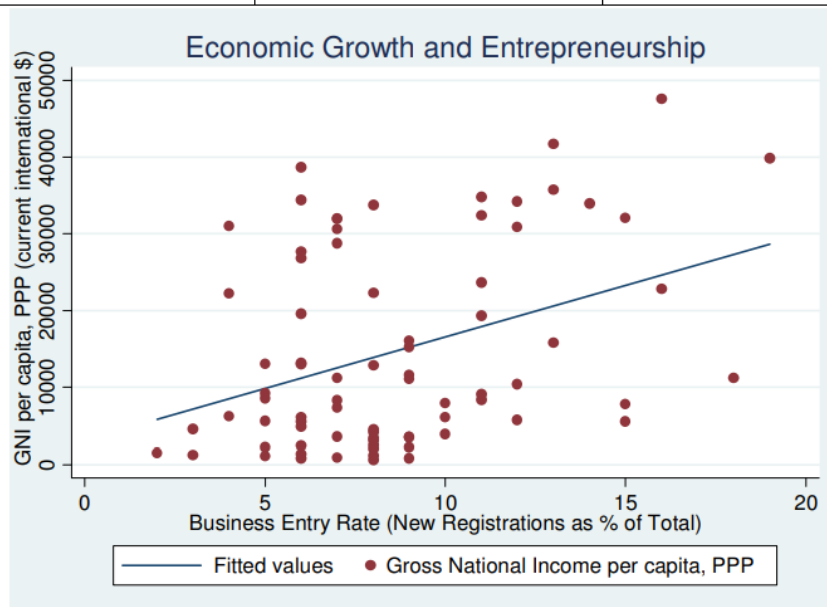
This study's sample size is 40, composed of both faculty and students from Delhi College in India. The sample was chosen using a stratified random sampling method.

**DATA ANALYSIS**

Overall, the  $R^2$  for the regression of GDP in equation 1 is 0.9167, which means that the explanatory variables in the model account for 91.67% of the variance in GDP. Table 1 provides a summary of the regressor variables' coefficients and associated p-values. The model yields a pvalue of .05 for the effect of new business entrance and a coefficient of 574.5997. This suggests that the pace at which new businesses are formed is positively related to GDP, and hence that entrepreneurship contributes to economic expansion. The low p-value associated with capital, as measured by percapitacap, suggests that a country's stock of capital significantly affects its economic development. The p-values of none of the other predictor factors were statistically significant.

**Table 1. Results from regression equation**

Variable Name	Coefficient	P-value
bentry	574.5997	0.05
bease	-.9768352	0.971
sumedu	-5.394058	0.557
percapitacap	3.574365	0.000
labor	-88.67919	0.497
rdspend	1856.359	0.155



**Figure 1. Bentry plotted versus gross national income in a graph**

The first regression equation's findings corroborate the conventional wisdom that entrepreneurial activity contributes significantly to economic expansion.

**Entrepreneurship's influence on India's economic growth**

Statement questions were developed to collect information from a wide range of respondents regarding the effects of entrepreneurship on Nigeria's economy, as shown in Table 2. Below, participants are invited to provide their thoughts on whether or not they believe that entrepreneurialism helps lower unemployment. The following text features their replies.

**Table 2. Does entrepreneurship reduce unemployment?**

	Frequency	Percent
strongly agree	19	47
Agree	21	53
Total	40	100.0

**Table3: Do you agree entrepreneurship facilitates economic growth?**

	Frequency	Percent
strongly agree	3	7
Agree	8	20
Undecided	13	33
strongly disagree	16	40
Total	40	100.0

The 7 percent of respondents in table 3 strongly agreed that entrepreneurship promotes economic expansion. Only 20% were in agreement, while 33% were unsure. While 40% of people disagreed or strongly disagreed.

**CONCLUSION**

Therefore, the neoclassical model of economic development should account for entrepreneurialism as a separate variable. This study has mostly focused on the idea that entrepreneurship promotes economic development by stimulating new ideas and industries within a community. Research and development investment, which is inherently indicative of innovation, was the only factor that interacted substantially with entrepreneurship. The purpose of this research was to examine the effects of entrepreneurship on national growth and development, particularly in the context of the recent economic downturn. The research uncovered a causal link between entrepreneurial activity and GDP development in emerging markets like India. The report also determined that India has relied too much on oil exports for its foreign currency earnings, and that the nation has to take bold steps toward economic diversification if it is to emerge from its present economic crisis.

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