

The Role of Entrepreneurs in the Economies of Nations

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Abstract

Entrepreneurs have a critical role to play in shaping the futures of the economies of nations. By creating value through starting businesses and ventures, they ensure that the wealth of the nation's increases. Similarly, by exporting goods and services, they ensure that the economies earn valuable foreign exchange that is vital for the countries to import the necessary goods and services. In addition, by creating jobs, they ensure that the people in the nations are gainfully employed. Moreover, through their social causes and championing of public good endeavors, they actualize sustainability, social justice, and environmental responsibility. Perhaps the biggest contribution or the underlying theme that runs through all these contributions is their innate ability to innovate that ensures speedy and efficient development of nations and their economies. Innovation is the differentiator between the success and failures of nations and their economies.

KEYWORDS: Economies, entrepreneurs, innovation.

Introduction:

We often hear that so and so is an entrepreneur who has started his or her own business. It is also the case that when we hear the term entrepreneur, we tend to associate it with a person who has or is starting their own ventures or in other words, **striking it on their own**. This is indeed the case as the formal definition of Entrepreneurship is that **it is the process of starting a business or an organization for profit or for social needs**. We have used the phrase for profit or for social needs to delineate and separate the commercial entrepreneurship from social and charitable entrepreneurship. After defining entrepreneurship, it is now time to define who an entrepreneur is and what he or she does.

An entrepreneur is someone who develops a business model, acquires the necessary physical and human capital to start a new venture, and operationalizes it and is responsible for its success or failure. Note the emphasis of the phrase responsible for success or failure as the entrepreneur is distinct from the professional manager in the sense that the former either invests his or her own resources or raises capital from external sources and thus takes the blame for the failure as well as reaps the rewards in case of success whereas the latter or the professional manager does the job and the work assigned to him or her for a monetary consideration. In other words, the entrepreneur is the risk taker and an innovator in addition to being a creator of new enterprises whereas the professional manager is simply the executor.

Attributes of Entrepreneurs

Moving to the skills and capabilities that an entrepreneur needs to have, first and foremost, he or she has to be an innovator who has a game changing idea or a potentially new concept that can succeed in the crowded marketplace. Note that investors usually tend to invest in ideas and concepts which they feel would generate adequate returns for their capital and investments and hence, the entrepreneur needs to have a truly innovative idea for a new venture.

Leadership Qualities

Apart from this, the entrepreneur needs to have excellent organizational and people management skills as he or she has to build the organization or the venture from scratch and has to bond with his or her employees as well as vibe well with the other stakeholders to ensure success of the venture.

Further, the entrepreneur needs to be a leader who can inspire his or her employees as well as be a visionary and a person with a sense of mission as it is important that the entrepreneur motivates and drives the venture. This means that leadership, values, team building skills, and managerial abilities are the key skills and attributes that an entrepreneur needs to have.

Creative Destruction and Entrepreneurship

We often hear the term creative destruction being spoken about when talking about how some companies fade away whereas others succeed as well as maintain their leadership position in the marketplace. **Creative destruction refers to the replacement of inferior products and companies by more efficient, innovative, and creative ones wherein the capitalist market based ecosystem ensures that only the best and brightest survive whereas others are blown away by the gales of creative destruction.** In other words, entrepreneurs with game changing ideas and the skills and attributes that are needed to succeed ensure that their products, brands, and ventures take market share away from existing companies that are either not creating values or are simply inefficient and stuck in a time warp wherein they are unable to see the writing on the wall. Therefore, this process of destroying the old and the inefficient through newer and creative ideas is referred to as creative destruction which is often what the entrepreneur does when he or she launches a new venture.

An Entrepreneur is a Risk Taker

We have discussed what entrepreneurship is and the skills and attributes needed by entrepreneurs along with how they engage and indulge in creative destruction. This does not mean that all entrepreneurs are successful as the fact that they can become victims of creative destruction as well as due to lack of the other traits means that a majority of new ventures do not survive past the one year mark of their existence. Now, when ventures fail, the obvious question is who takes the blame for the failure and whose money is being lost. The answer is that the entrepreneur puts his or her own money or raises capital

from angel investors and venture capitalists which means in case the venture goes belly up, the entrepreneur and the investors lose money. Note that as mentioned earlier, the employees and the professional managers lose their jobs and unless they are partners in the venture, their money is not at stake. Therefore, this means that the entrepreneur is the risk taker in the venture which means that the success or failure of the firm reflects on the entrepreneur.

Some Famous Entrepreneurs

Given this basic introduction to entrepreneurship, we can now turn to some famous examples of entrepreneurs who have succeeded despite heavy odds because they had game changing ideas and more importantly, they also had the necessary traits and skills that would make them legendary. For instance, both the founder of Microsoft, Bill Gates, and the late Steve Jobs, the founder of Apple, were college dropouts though their eventual success meant that they had not only truly innovative ideas, but they were also ready to strike it out for the longer term and hang on when the going got tough. Even the founder of Facebook, Mark Zuckerberg, as well as Google's Larry Page and Sergey Brian can be considered as truly revolutionary entrepreneurs. What all these legends have in common is that they had the vision and the sense of mission that they were going to change the world and with hard work, perseverance, and a nurturing ecosystem, they were able to self actualizes themselves.

Need for Entrepreneurship Development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious for the importance of entrepreneurship in economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of resources such as labour, capital and technology.

Roles of Entrepreneurs

The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favourable opportunity conditions than in economies with relatively less favourable opportunity conditions.

Entrepreneurship plays an influential role in the economic growth and standard of living of the country. As a startup founder or small business owner, you may think that you are

simply working hard to build your own business and provide for yourself and your family. But you are doing a whole lot more for your local community, state, region, and the country. Here are the top 9 important roles an entrepreneur plays in the economic development of a country.

1. **Wealth Creation and Sharing:** By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.
2. **Create Jobs:** Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again one of the basic goals of economic development. Therefore the Govt. of India has launched initiatives such as Startup India to promote and support new startups, and others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities and is helping in augmenting our standards to a global level.
3. **Balanced Regional Development:** Entrepreneurs setting up new businesses and industrial units help regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

4. **GDP and Per Capita Income:** India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.
5. **Standard of Living:** Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other

stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

6. **Exports:** Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion leads to more stable business revenue during economic downturns in the local economy.
7. **Entrepreneurs Create New Opportunities:** Entrepreneurs are providing great offers in the form of opportunities to many associated domains. No matter, in which sector the company deals but it will surely provide new opportunities that will further assist in economic development. The businesses of associated industries include network maintenance, call center operations and hardware providers. Even when it comes to education and training center they are hiring IT workers which is a high paying job. Moreover, the infrastructure development organizations and real estate companies as well are taking advantage of this growth. In simple words, an entrepreneur benefits a large part of the economy.
8. **Addition to National Income:** There is no doubt in saying that all entrepreneurial ventures are creating new wealth. The new and improved products, technology or service in which the new entrepreneurs are dealing are allowing the market to be advanced. Moreover, the growing numbers of entrepreneurs result in high earnings that directly contribute to the national income of the country. It would be there in the form of higher tax revenue or something related to government spending. The government can further use this revenue in the needful sectors or the human capital.
9. **Community Development:** Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.
10. **Reduces Concentration of Economic Power:-**Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large

number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

11. **Induces Backward and Forward Linkages:**-Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country
12. **Creating innovation:**-An entrepreneur is a person who always looks for changes. Apart from combining the factors of production, he also introduces new ideas and new combination of factors. He always tries to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.

Conclusion:

Contradictory, a significantly high number of entrepreneurs may lead to fierce competition and loss of career choices for individuals. With too many entrepreneurs, levels of aspirations usually rise. Owing to the variability of success in entrepreneurial ventures, the scenario of having too many entrepreneurs may also lead to income inequalities, making citizens more – not less – unhappy. However, The interesting interaction of entrepreneurship 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 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 enroll in How to Encourage and Teach Our Children Thus, 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".

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