

67.ROLE OF ENTREPRENEUR IN THE ECONOMY

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ABSTRACT

Business is an organization entity engaged in commercial, industrial or professional activities to make profit and nonprofit organization that operate to fulfill a charitable mission. Economics is a social concerned with the production, distribution and consumption of goods and services. It studies how individuals, business, governments and nations make choices on allocating resources to satisfy their wants and needs, trying to determine how these groups should organize and co-ordinate efforts to achieve maximum output. Economics has the solution for all the problems concerned with Gross Domestic Product, Per Capita Income and so on. In 8th Century B.C an economic thinker says to eradicate the scarcity labour, materials and time is needed but Adam Smith's book in 1776 An Inquiry Into the Nature and Causes of the Wealth of Nations explained with the help of changes in modern economy and expectations. Effective utilization of resources & increasing the productivity leads to develop an economy as whole. Changes are key factor of development hence developments require changes in the present business pattern today and tomorrow.

KEY NOTE: Importance of Entrepreneurs

INTRODUCTION

Entrepreneurs are business people who can detect and sense the availability of business opportunities

in any given scenario. They will utilize these opportunities to create new products by employing new production methods in different markets. They will also function in different ways by using various resources who will give them profit. It is important to note that although most entrepreneurial businesses start small, the owners of such businesses need not be small scale owners. They could in fact be big business owners, who first try and test the waters before investing big time in the business. Small business owners dread risk, but successful entrepreneurs are very innovative and know how to operate profitably in a business environment, even if the risk is very high. In fact, innovation is the life blood of any kind of entrepreneurs; this is one of the tools that helps them gain an advantage over established players in the market. Entrepreneurs are, thus, defined as individuals or groups of individuals who carry out entrepreneurship activities that are based on their innovative approaches to solving real-world problems.

TYPES OF ENTREPRENEURS

Based on their working relationship with the business environment they are functioning in, various types of entrepreneurs can be found. The chief categories are these four types of entrepreneurs, i.e.

1. Innovative Entrepreneurs: This type of an entrepreneur is more interested in introducing some new

ideas into the market, organization or in the nation. They are drawn towards innovations and invest a lot of time and wealth in doing research and development.

2. Imitating Entrepreneurs:

These are often disparagingly referred to as 'copy cats'. They observe an existing successful system and replicate it in a manner where all the deficiencies of the original business model are addressed and all its efficiencies are retained. These entrepreneurs help to improve an existing product or production process and can offer suggestions to enhance the use of better technology.

3. Fabian Entrepreneurs: These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn't fit their narrative.

4. Drone Entrepreneurs: These are entrepreneurs who do not like a change. They are considered as old school'. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition

to even outdated methods of doing business.

ENTREPRENEURSHIP

Entrepreneurship refers to all those activities which are to be carried out by a person to establish and to run the business enterprises in accordance with the changing social, political and economic environments. Entrepreneurship includes activities relating to the anticipation of the consumers likes and dislikes, feelings and behaviors, tastes and fashions and the introduction of business ventures to meet out all these expectations of the consumers.

Entrepreneurship is considered as a new product that would enable businessmen to develop new form of business organization and new business activities catering to the changing needs of the society.

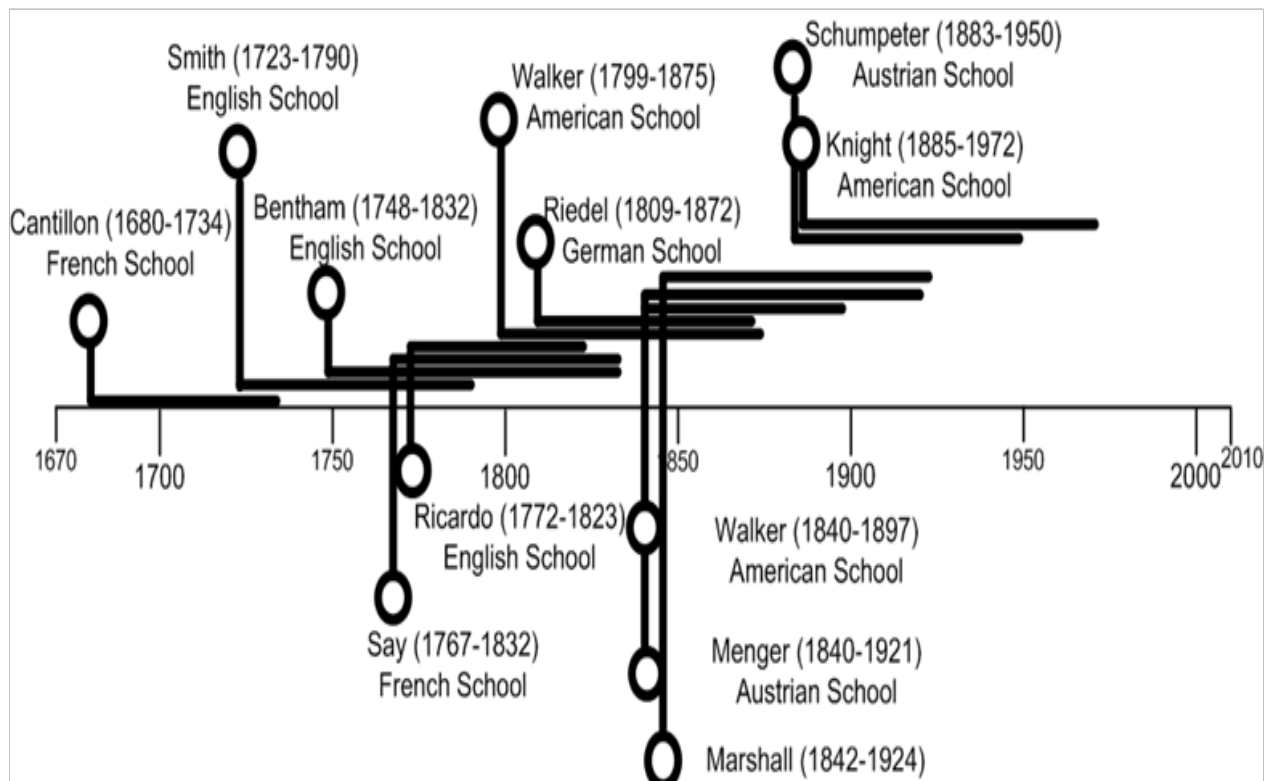
The liberalization of cultural rigidities are mainly due to this new product entrepreneurship. Entrepreneurship is the ability of entrepreneurs to assess the risks and establish businesses which are risky but at the same time suits perfectly to the changing scenarios of the economy.

DIFFERENCE BETWEEN THE TERM ENTREPRENEUR AND ENTREPRENEURSHIP

BASIS FOR COMPARISON	ENTREPRENEUR	ENTREPRENEURSHIP
Meaning	An entrepreneur is an individual or a team thereof, having an innovative idea, and takes every step to turn the idea into reality, while bearing the risks.	Entrepreneurship is a risky activity of commencing a business usually a start up company, offering distinct products and services to the target customers, which may or may not get success.
What is it?	Person who has an idea and gives shape to it.	Process which gives shape to the idea.
Represents	An innovator, who chased the dream, till it becomes true.	A procedure through which an innovation is done.
Business Venture	He/She is the one who sets up the business venture, to turn a concept into reality.	It is the activity, which an entrepreneur undertakes to set up the business venture.

THE EVOLUTION OF ENTREPRENEURSHIP THOUGHT

The following timeline shows some of the most influential entrepreneurship scholars and the schools of thought (French, English, American, German, and Austrian) their perspectives helped influence and from which their ideas evolved. Schools of thought are essentially groups of people who might or might not have personally known each other, but who shared common beliefs or philosophies.



ENTREPRENEURSHIP VERSUS ENTREPRENEUR:

Adam Smith (1723-1790), from the English School of thought, published *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776. In a departure from the previous thought into entrepreneurship and economics, Smith did not dwell on a particular class of individual. He was concerned with studying how all people fit into the economic system. Smith contended that the economy was driven by self-interest in the marketplace (Chell, 2008).

Also from the English School, David Ricardo (1772-1823) was influenced by Smith, Say, and others. His work focused on how the capitalist system worked. He explained how

order good is the flour that was used to make the bread. The grain used to make the flour is an even higher order good. Entrepreneurs coordinate these factors of production to turn higher order goods into lower order goods that more directly satisfy human wants and needs (Hebert & Link, 2009).

Menger (1950 [1871], p. 160) established that entrepreneurial activity includes:

- (a) Obtaining information about the economic situation,
- (b) Economic calculation – all the various computations that must be made if a production process is to be efficient,
- (c) The act of will by which goods of higher order are assigned to a particular production process, and
- (d) Supervising the execution of the

production plan so that it may be carried through as economically as possible (Hebert & Link, 2009, p. 43).

ENTREPRENEURSHIP AND INNOVATION

Jeremy Bentham (1748-1832), from the English School of thought, considered entrepreneurs to be innovators. They "depart from routine, discover new markets, find new sources of supply, improve existing products and lower the costs of production" (Chell, 2008).

Joseph Schumpeter's (1883-1950) parents were Austrian, he studied at the University of Vienna, conducted research at the University of Graz, served as Austria's Minister of Finance, and was the president of a bank in the country. Because of the rise of Hitler in Europe, he went to the United States and conducted research at Harvard until he retired in 1949. Because of this, he is sometimes associated with the American School of thought on entrepreneurship (Chell, 2008).

Whereas Menger saw entrepreneurship as occurring because of economic progress, Schumpeter took the opposite stance. Schumpeter saw economic activity as leading to economic development (Hebert & Link, 2009). Entrepreneurs play a central role in Schumpeter's theory of economic development, and economic development can occur when the factors of production are assembled in new combinations.

Schumpeter (1934) viewed innovation as arising from new combinations of materials and forces. He provided the following five cases of new combinations.

- The introduction of a new good—that is one with which consumers are not yet familiar or of a new quality of good.
- The introduction of a new method of production, that is one not yet tested by experience in the branch

of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

- The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.
- The carrying out of the new organisation of any industry, like the creation of a monopoly position or the breaking up of a monopoly position (Schumpeter, 1934, p. 66).

Another concept popularized by Schumpeter in addition to the notion of new combinations -was creative destruction. This was meant to indicate that the existing ways of doing things need to be dismantled - to be destroyed - to enable a transformation through innovation to a new way of doing things. Entrepreneurs use innovation to disrupt how things are done and to establish a better way of doing those things.

IMPORTANT ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

- 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. This is why the Govt. of India has launched initiatives such as StartupIndia to promote and support new startups, and also 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 with 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 different 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 that leads to more stable business revenue during economic downturns in the local economy.

7. 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 AzimHashimPremji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the AzimPremji Foundation. This foundation works with more than 350,000 schools in eight states across India.

CONCLUSION

It is clear that the concept of Entrepreneur have not taken the birth a very long before, and the innovation taking place till now. A overall development of a country is directly or indirectly associated with the entrepreneurship where the society may get benefited in difference ways. So, there is a very important role for entrepreneurs to spark economic development by starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development.

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