

Role of Entrepreneurs in Socio-Economic Development in India: A Sociological Study

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INTRODUCTION

Economic development essentially 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. It is the entrepreneur who organizes and puts to use capital, lab our and technology. Accordingly, “development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed and this requires entrepreneurial activity to a considerable extent, the diversity of activities that characterizes rich countries can be attributed to the supply of 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.

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Entrepreneurs process of economic development in the following ways:

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, lab our 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:

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 Modis, Tatas, Birlas and others have put the hitherto unknown places on the international map.

5. 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.

6. 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.

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 bring about rapid economic-development in underdeveloped/developing regions.
3. Further India aims at decentralized industrial structure to reduce regional imbalances in levels of economic development.
4. Generation of employment
5. Balanced regional development
6. Improvement in standard of living
7. Backward and forward linkages
8. Creator of wealth (securities, issues etc.).

Thus, small scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development, generation /creator of wealth etc.

Important role that entrepreneurship plays in the economic development of our economy (India) are:

1. Improvement in Per Capita Income:

2. Generation of Employment:

Entrepreneur generates employment both directly and indirectly. By starting their business they present an opportunity to others for work by offering jobs.

3. Balanced Regional Development:

Entrepreneurs help to remove the regional disparities in the economic development of areas. They set up industries in backward areas to avail various substitutes and bring up the development of that region.

4. Improvement in Living Standards:

Entrepreneur set up industry which introduces new products on a mass scale. They are at lower costs and this helps to improve the standard of life of a common man.

5. Economic Independence:

Facilitating Factors:

- Technical knowledge
- Entrepreneurial training
- Market contacts
- Family business
- Availability of capital
- Successful role models
- Local manpower
- Government and institutional support

Barriers:

- Lack of technical skills
- Lack of market knowledge
- Time pressure and distractions
- Legal and bureaucratically constraints
- Patent inhibitions
- Political instability
- Non-cooperate attitude of banks and other institutes

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.

(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 socio-cultural 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 behavior 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 nor 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.

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:

E.g., 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 behavior is the loss of status by a group.

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

1. The group may be displaced by force
2. It may have, its valued symbols denigrated
3. It may drift into a situation of status inconsistency
4. Not accepted the expected status on migration in a new society

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

1. **Retreats'**- He who continues to work in a society, but remains different to his work and position.
2. **Ritualist**- He who adopts a kind of defensive behavior and acts in the way accepted in his society but no hopes of improving his position.
3. **Reformist**- He is a person who forms a rebellion and attempts to establish a new society.
4. **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.

Others:

Govt. Actions:

The government by its actions or failure to act also does influence both the economic and non-economic factors for entrepreneurship. By creating basic facilities, utilities and services and by providing incentives and concessions, the government can provide the prospective entrepreneurs a facilitative socio-economic setting. Such conducive setting minimizes the risks which the entrepreneurs have to encounter.

Various factors stated above for emergence of entrepreneurship are interlocking, mutually dependent and mutually reinforcing.

Entrepreneur and His Role:

A change in the connotation of an entrepreneur from captain of Industry to an elusive character, where the entrepreneur is characterized as one who garners profits at the expense of others had distorted the concept of entrepreneurship. The concept of entrepreneurship has been revised by an economist, Joseph Schumpeter.

Schumpeter described entrepreneurship as a force in creative destruction, whereby established ways of doing things are distraught by the creation of new and better ways to get things done. Hence Schumpeter described entrepreneurship as a process and entrepreneurs as innovators who use the process to shatter the status quo through new combinations of resources and new methods of commerce.

The significant contribution that entrepreneurship makes to economic development-

1. National Production:

The basic problem in any economy results from shortage of goods and services. Shortage of goods

reflects lack of adequate production. As a result, the society would be forced to meet the requirements of its people by importing goods and services, which is a drain on the vital foreign exchange reserves. The entire issue stems from a limited number of people being involved in production process due to lack of industries or enterprises. In other words, few people have the courage and the entrepreneurial skills to set up their own production units and bridge the demand supply gap. Thus, at the root of limited production lies the absence of entrepreneurial qualities and skills among people who are unwilling to undertake business risks. In the long run, it is seen that it is entrepreneurship and development that stimulate the economy with enhanced production of goods that not only meet the domestic demands but also cater to exports.

2. Balanced Regional Development:

A big problem in most developing countries today is unbalanced or uneven regional development. This breeds unrest and has led to various armed and unarmed agitations and movements in various parts of the country and even in the world for separate states to reinforce petty regional identities. Many such struggles could be successfully addressed if there is equitable development in all parts of a nation state. If even development is there among all the regions, people in every region will get equal opportunities, finally leading to balanced development. This is possible on a large scale only when people in every region are equipped with entrepreneurial skills that would enable their active participation in the economic development of their regions. That is the potential of entrepreneurship which can help eliminate uneven development.

3. Dispersal of Economic Power:

Concentration of economic power is among the dangerous consequences of economic development that most economies are facing today. Concentration of economic power is nothing but concentration of economic wealth in the hands of few. In other words, economic opportunities are denied to the vast majority, which is forced to depend on a minuscule section for job opportunities. This trend can prove dangerous to a developing nation. Against this backdrop, entrepreneurship development helps provide economic opportunities for setting up enterprises which in turn become economic generation entities.

It means that if majority of people become entrepreneurs, then the economic wealth will get dispersed among the entire population. Dispersal of economic power is one of the positive signs of a progressive society. Entrepreneurship, thus, helps a society develop on a positive note.

4. Reinvestments of Profits:

Investment or capital needed for setting up any entity is the single most significant resource of which there is great shortage in most developing societies. This situation often compels decision makers and those in the government to invite businessmen—domestic and foreign including multinational companies—from outside to set up industries on their soil. The profits earned by the private sector as a result are likely to be taken back to places where the investors belong. This results in outward flight of the capital from the region where the industry was set up, yet it is a necessary evil. If local entrepreneurs were to emerge in such underdeveloped areas, whatever the profits that are earned by them will naturally get invested in the same region directly or indirectly and result in further development of that region.

5. Employment Generation:

The burning problem of most countries today is unemployment. Creating employment opportunities are generally perceived as government responsibility. However, it is impossible for a government to provide employment opportunities to a fast growing population, howsoever sincere it may be. If people are entrepreneurial by nature, they can undertake various self-employment programmes and start their own enterprises, resulting in more employment opportunities. This means, self-employment is the best employment and entrepreneurship the most exciting profession.

6. Harnessing Youth Vigour:

A sizeable part of India's population is youth. If the country is able to channelize the youth vigor and direct the same towards the economic development, it can prosper at a much greater pace. If not, their power could get misdirected and they could veer towards extremist and terrorist activities. Glaring examples of such cases can be seen all over the world. If the youth are oriented towards entrepreneurial activities at the right time, a nation can benefit immensely with their constructive participation in the development process. It, thus, becomes incumbent on every society to develop and train its youth in entrepreneurial skills to make the most of them.

Conclusion:

It is a basis for political and social independence. So each and every country is required to make necessary efforts for ensuring economic independence. Development of agriculture sector and industrial sector is quite necessary for economic independence. Both these sectors are complementary to each other and accelerate economic growth. Multidimensional economic growth facilitates economic independence. Thus, it is assumed that entrepreneurship is important

for getting economic self-reliance. Export of goods and services on a large scale help in the process of earning of scarce foreign exchange for the country. Efforts for import substitution also facilitate the production of goods and services in the country which ultimately control the imports. Moreover, import substitution efforts serve the foreign exchange for other urgent needs. In this way, import substitution and export promotion help to ensure economic independence of the country.

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