

Scope of Entrepreneurship in Country's Economic Development

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Abstract: *Achieving development is a crucial and fundamental goal that depends on making the best use of a nation's resources, particularly its human capital, which is viewed as one of its most priceless resources. In light of this, the main goal of this study is to investigate the connection between intellectual capital and economic growth in 50 chosen countries between 2004 and 2012, including Iran. The ratio of government spending to GDP, trade freedom, inflation, and the rate of school enrolment were used as explanatory variables, whilst economic growth and entrepreneurial data were used as dependent and independent factors. The World Bank and the Global Entrepreneurship Monitor (GEM) provided the data for this study. Research has shown that entrepreneurship has a positive and significant effect on economic growth. They also show how other explanatory factors affect economic expansion. Additionally, the rate of school enrollment and trade freedom have a favourable impact on economic growth, whereas the proportion of government spending to the GDP has a negative impact.*

Keywords: Entrepreneurship, economic development, GDP

I. INTRODUCTION

The process of determining national wealth and the variables that can affect this determination have been of utmost importance since the advent of early economic schools. The Solow Model residuals, which serve as explanatory variables, such as entrepreneurship and social capital, were added to the traditional production factors, i.e., capital and labour force, in an effort to introduce a new method known as "growth accounting" (Portela, 2012: 321). The biggest potential driver of economic growth, entrepreneurship boosts output and creates wealth. In other words, growth now depends more on human resources than it does on the presence of abundant natural resources or a specific sociopolitical structure. Economic progress is primarily influenced by the mind (Job Portal Site). Additionally, rather than relying on the usage of resources, entrepreneurship is based on possibilities (Stevenson and Gumpert, 32:1991). The information age and globalisation, which define this era, are typified by imaginative outcomes, quick alterations and transformations in human connections, and fierce business competition. Entrepreneurship is essential for growth and development in such a setting (Clark, 2004).

In this study, Joseph Schumpeter, who has mostly focused on innovation, will be used to investigate the effects of entrepreneurship on economic growth. For five chosen countries, including Iran, between 2004 and 2012, the impact of entrepreneurship, trade liberty, the ratio of government spending to gross domestic product, the rate of school enrollment, gross domestic product, and inflation are also examined. Total Entrepreneurial Activity (TEA) indicator, the most recent GEM data, has been included in the model as an independent variable and a variable to replace entrepreneurship.

There are five sections in the document. The general components of the topic, including theoretical underpinnings and a literature review, are covered in the second section. The third section will go over study methodology, the fourth will show empirical evidence, and the fifth will offer a conclusion.

Definition of entrepreneurship:

All areas of human life have always seen entrepreneurial activity. It served as the framework for the development of human communities. It has undergone several definitions over the history of its development. Profit motive, self-actualization, and autonomy are in fact the driving forces behind entrepreneurship, which is described as "the process of

innovating and exploitation of opportunities with great work and tenacity, while assuming financial, psychological, and societal risks" (Hisrich, 2007: 172).

Who is an entrepreneur?

The term entrepreneur initially appears in the writings of Cantillon. He presented three layers of economic factors: proprietors, entrepreneurs, and employees. According to him, an entrepreneur is a person who engages in uncertain commercial activities. Cantillon reasoned that the absence of accurate prediction is the root of entrepreneurship. Additionally, VoneThunen distinguished between entrepreneur and capital provider. According to him, an entrepreneur resembles the individual Cantillon described as an entrepreneur (Wennekers and Thurits 27: 1999). Menger, one of the founders of the Austrian school, also considered this differentiation. Initially, he defines an entrepreneur as a person who integrates production factors and introduces the term entrepreneur on the basis of this personality (Lumpkin and Dess, 631: 1996). Marshal distinguishes entrepreneurs from other neoclassical theorists by assigning them the position of "new route pioneers." Apparently, modern monetarist neoclassical economists do not place entrepreneur in their models. Knight and Schumpeter divided between management or supervision and the function of entrepreneur. Herbert and link (1989) propose the following definition of who and what an entrepreneur is: "An entrepreneur is a person who is accountable for making appropriate judgements that have an effect on the environment, commodities, resources, or institution" (van Dijk and Thurik, 1999).

At least thirteen key functions may be recognised for the entrepreneur (Herbert and Link, 1989; Van Dijk and Thurik, 1995; Van Praag, 1996), with the position and the attribute considered for the entrepreneur changing with time. One who takes on unknown risks, two who provides capital, three who innovates, four who makes decisions, five who is an industry leader, and six who is a manager or supervisor.

Organizer of economic resources, 8-Business owner, 9-Employer of production factors, 10-Contractor, 11-Arbitrator, 12-Resource Allocator for Alternative Uses, 13-Person Aware of the Launch of a New Enterprise. The German school of voneThunen, Schumpeter, and Baumol; the neoclassical school of Marshal, Knight, and Schultz; and the Austrian management school of Von Mises and Krizner are the three major schools of entrepreneurial theory that can all be traced back to Richard Cantillon.

Innovation, which is the process of creating something new that has significant value for an individual, group, business, industry, or society, is a characteristic of entrepreneurs and businesses. When discussing the impact of entrepreneurship on economic growth, Schumpeter placed more emphasis on innovation as a criterion for evaluating entrepreneurship.

In the Solow neoclassical growth model (Solow, 1970), an important feature is that technology advancement is exogenous and, therefore, independent of economic stimuli. In the conventional concept, economic growth was generated by accumulation of capital and exogenous technological progress, neither of which depend on entrepreneurial participation at all. As a result, entrepreneurship disappeared from economic theory.

Recent endogenous growth models support the notion that technological advancement has become a permanent force increasing living standards. Long-term growth trend is however described in many endogenous growth theories by objective and exploitative investment in knowledge (Grossman and Helpman, 1994: 24). Because it is the consequence of indefinite investment, the action of profiting by altering resources to achieve technical development can be accounted for as an entrepreneurial act. However, it is not typical for endogenous growth models to openly embrace entrepreneurship as economic and technological development. However, Aghion and Howitt (1992) make an exception for creative destruction. A growth model was used by Aghion and Howitt to introduce Schumpeter's idea of "creative destruction." According to research, this paradigm necessitates the annihilation of the preceding product in order to produce the current one. This concept omitted capital from the basic model and attributed growth to technological advancement. Consequently, innovation was generated by enterprise competitiveness. Once a firm begins to profit from a monopolised innovation, rival companies are driven to foster innovation, which renders the monopolised innovation obsolete.

II. REVIEW OF LITERATURE

Academics and policymakers have renewed their interest in identifying the proportion of dynamic entrepreneur industrial methods and economic growth over the previous decade, and there is a trend in theoretical books to

incorporate entrepreneurship. Despite the important role Joseph Schumpeter played in describing the economic impact of entrepreneurship in the early 20th century, the related topics have been taken for granted in major economic flows for a very long time.

Acs and Armington's (2002) paper makes three important contributions: first, their methodology is more inclusive, including data for the entire private sector instead of just a few industries; second, they used a direct index to measure entrepreneurial activities, which was the rate at which new businesses appeared in each local economy; and third, they examined the idea that increasing entrepreneurial activity resulted in greater regional growth.

Van Stel et al. (2004, 2005) used three variables to explain a country's economic growth: the rate of entrepreneurship, the production per capita, and the world competition index. Using GEM data, they found that the rate of entrepreneurial activity has a positive effect on economic growth. Several studies have attempted to explain the significance of entrepreneurship in explaining better levels of economic growth in countries or regions.

The analysis of 22 OECD countries revealed a negative correlation between self-employment and economic development, and the conclusions were supported by a wide range of econometric specifications and methods. Salgado-Banda (2005) suggested a new variable to quantify entrepreneurial activity. The findings show that the rapid expansion of new organisations provides employment in small and medium-sized businesses, according to Wong Ho and Autio's (2005) explanation of entrepreneurship and technical innovation as growth factors in emerging nations using the Cobb-Douglas production function.

Theoretically, not only is there evidence that entrepreneurship eliminates jobs, but also that unemployment itself causes unemployment, as Audretsch et al. (2006) hypothesised production function based on a sample in Germany in 1990 and found that entrepreneurship, capital, and local economic growth are positively related. Using World Bank data, Klepper et al. (2007) found a positive correlation between the rate of self-employment and economic growth.

The effect of these scales is depending on the level of development in these countries, according to the findings of Stam and vanstel's (2009) use of two scales to quantify entrepreneurship: "necessity" and "opportunity" rates.

They found that entrepreneurship significantly contributes to regional growth and that the rate of economic growth is dependent on the rate of growth of locally economically valuable knowledge, which is a function of R&D, university research, social capital, entrepreneurship, human capital, and the structure of the industry.

III. CONCLUSION

In other words, data show that expanding entrepreneurship and increasing the number of entrepreneurs in a country can lead to greater economic growth. Additionally, the results show that by increasing the volume of international trade, favourable conditions can be created for economic growth. The findings of this study show that the relationship between economic growth and entrepreneurship is positive and significant.

Based on the findings, the government can promote an entrepreneurial culture, foster an entrepreneurial environment, reduce inflation and government spending, and focus more on international trade in order to achieve a more dynamic economy. Formal and informal education plays the most significant influence in the development of entrepreneurship. Educational institutions, such as high schools, vocational education centres, and universities, must prioritise promoting entrepreneurship.

The importance of entrepreneurs and their drive to develop a new product and innovative production methods should be emphasised, and firms' Research and Development (R&D) divisions must be strengthened in order to create a fertile growth environment for innovative individuals and entrepreneurs.

The financial support provided by the government to entrepreneurs as well as its guarantee of a portion of the investment risk involved in the development of technology can also encourage entrepreneurship and contribute to economic growth.

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