Entrepreneurship Development In India:
Role Of Foreign Direct Investment And
Economic Growth

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Abstract

Entrepreneurship Development is the key to India’s development. It is important as it utilized local resource, employment and rural development. 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 actually doing a whole lot more for your local community, state, region and the country as a whole. Wealth Creation and sharing, Create Jobs, Balanced Regional Development, GDP and Per Capita Income, Standard of Living, Exports, and Community Development are the top seven important roles an entrepreneur plays in the economic development of a country.

Entrepreneurs occupy a central position in a market economy, For it’s the entrepreneurs who serve as the spark plug in the economy’s engine, activating and stimulating all economic activity. The economic success of nation worldwide is the result of encouraging and rewarding the entrepreneurial instinct.

This paper examines the impact of financial development, economic development and foreign direct investment on entrepreneurial development measured by production per MSME and fixed investment per MSME (Micro Small and Medium Enterprises) for the period of 1992-93 to 2015-16. Using Error correction model the result shows that investment per MSME is positively influenced by financial development in long run. In short run foreign investment and economic development positively influence fixed investments in
MSMEs. Production per MSME was found to be positively influenced by economic development and financial development in long run while in short run none of the selected independent variables influence production of MSMEs.

**KEYWORDS**: MSME, Error correction model, FDI, GDP

## INTRODUCTION

Indian economy has developed since liberalization is attracting foreign investments, its GDP per capita has increased, the stock market capitalization has deepened and these benefits channelizes back to economy. With the development, globalization and information channel penetration marketplace had shrunk creating new avenues for entrepreneurs to grow and exploit the opportunities. With liberalization of economy in 1991 entry barrier have reduced by great deal economists view growing foreign investment as resource providing global reach. The stock market and economy has also benefitted to this as foreign investment which in turn makes investment in India a lucrative business. But does this development have benefitted entrepreneurs?

Economic development provide with a high standard of economy, investment scenario both domestic and foreign. The stock market sentiment becomes positive creating boom in the market for new investments and innovation which are few determinants of entrepreneurship. This has cyclic effect with development in one develops other which benefits the earlier. This positive sentiment that is developed needed for starting an enterprise to counter the risk associated with it. Opportunity, need and ability are the determinants for entrepreneurship (Davidsson & Honig, 2003) economic development, financial growth, investment sentiment and entrepreneurship policy of the state frames the opportunity. However, the most important role that Entrepreneurs can play in the Country’s development is by creating wealth for the Country, which in turn can fund further startup and budding Entrepreneurs. Entrepreneurial companies offer the greatest opportunity for wealth creating and sharing wealth can enable entrepreneurs to do what India’s
government has failed to do since independence, such as transforming education and rural India. Making wealth an instrument for bringing the revolutions to build the new India. Think of the next Google or Microsoft from India, and the amount of Social change it can bring to our Country from the wealth generated. Considering India’s increased poverty rate of 37.2%, Entrepreneurs should create wealth overflow in the Country for its development.

**Employment Opportunities:**

Entrepreneurs employ labor for managing their business activities and provide employment opportunities to a large number of people. They remove unemployment problem.

**Balanced Regional Development:** Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in Backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

**Mobilization of Local Resources:** Entrepreneurs help to mobilize and utilize local resources like small saving and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.

**Optimization of Capital:** Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment Capital ratio.

**Promotion of exports:** Entrepreneurs reduce the pressure on the Country’s balance of Payments by exporting their goods they earn Valuable foreign exchange through exports.

**Consumer Demands:** Entrepreneurs produce a wide range of products required by Consumers. They meet the demand of the consumers without creating a shortage for goods.
**Social Advantage:** Entrepreneurs help in the development of the society by providing employment to people and paves for independent living. They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

**Increase Per Capita Income:** Entrepreneurs help to increase the per Capita income of the Country in Various Ways and Facilitate development of backward areas and weaker sections of the society.

**Capital Formation:** A Country can attain economic development only when there are more amounts of investment and production. Entrepreneurs help in channelizing their saving and saving of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.

**Growth of Capital Market:** Entrepreneurs raises money for running their business through shares and debentures. Trading of Shares and debentures by the public with the help of financial services sector leads to capital market growth.

**Growth of Infrastructure:**

The infrastructure development of any country determines the economic development of a country, entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.

**Development of Trader:** Entrepreneur plays an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country.

**Economic Integration:** Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote economic integration in the country by adopting certain economic policies and laws framed by the government. They help in removing
the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

**Inflow of Foreign Capital:** Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses.

**Significance of Study:** Schumpeter (1934) visualized the entrepreneur as the key figure in economic development because of his role in introducing innovations. Parson and smelser (1956) described entrepreneurship as one of the two necessary conditions for economic development, the other being the increased output of Capital. Harbison (1965) includes entrepreneurs among the prime movers of innovations, and saying (1962) simply describes entrepreneurship as a necessary dynamic force. It is also opined that development does not occur spontaneously as a natural consequence when economic conditions are in some sense ‘right’: a catalyst or agent is always needed, and this requires an entrepreneurial ability. It is this ability that he perceives opportunities which either others do not see or care about. Essentially, the entrepreneur searches for change, see need and then bring together the manpower, material and capital required to respond the opportunity what he sees. Akio Morita, the President of Sony who adopted the company’s products to create walkman personal stereo and India’s Gulshan Kumar of T-Series who skimmed the audio-cassette starved vast Indian market are the clearest examples of such able entrepreneurs. The role of Entrepreneurs in economic development varies from economy to economy depending upon its material resources.

Industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favorable opportunity conditions than in the economies with relatively less favorable opportunity conditions. Viewed from the opportunity conditions point of view the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non-existence of minimum social and economic overheads are less conducive to the emergence particularly of innovative entrepreneurs. Further, India
which itself is an underdeveloped country aims at decentralized industrial structure to militate the regional imbalances in levels of economic development, small-scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development. It is unequivocally believed that small-scale industries provide immediate large-scale employment, ensure a more equitable distribution of national income and also facilitate an effective resource mobilization of capital and skill which might otherwise remain unutilized.

1. Need for Entrepreneurship Development:

Economic development essentially means a process of upward change where by 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 underdeveloped countries conscious of the importance of entrepreneurship for 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. 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 favorable opportunity conditions than in economies with relatively less favorable opportunity conditions.

2. Objective of the Study: The Purpose of this Paper is:

1. To explain the role of an entrepreneur in the economic development in India from Pre Independence to Present.
2. To explore the relationship between entrepreneurship development with foreign investment, financial development and economic growth for the Period of 1992-93 to 2015-16.

3. Seven Ways Entrepreneurs Drive Economic Development: entrepreneurs Create businesses create Jobs and people with jobs make good customers there’s been a lot of talk lately about the future of work. Much of the time, these conversations are fueled by the anxiety many of us share as we try to understand the impact new technologies will have on our industries. We tend to reduce these discussions to binary arguments—how smart machines will do extraordinary things to improve our lives, or how this or that innovation will make human labor obsolete, creating a jobless dystopia. Both conclusions strike me as somewhat specious. It’s not that these concerns aren’t valid, but they oversimplify a more complex phenomenon. Why do entrepreneurship and innovation fuel economic growth? On the surface, the answer seems intuitive: entrepreneurs create businesses and new businesses create jobs, strengthen market competition and increase productivity. Here in the United States, entrepreneurism is part of our American identity and self-image. It’s non-partisan, too; both sides of political spectrum celebrate entrepreneurial small business as a fount of innovation and growth. Entrepreneurism is seen as a route to upward mobility a way for average people to build wealth. Let’s take a closer looks.

3.1 Investing in products and services people need: What motivates a person to start a new business? According to traditional models, entrepreneurs create new businesses in response to unmet needs and demands in the market. That is, there is an opportunity to provide a product or service that is not currently in existence, or otherwise available. Economists refer to these business-starters as “opportunity” entrepreneurs in order to distinguish these individuals from those who start businesses for lack of better work opportunities. So called “opportunity” entrepreneurs, who launch new enterprises in response to market need, are key players when it come to fostering economic growth in a region. They enable access to goods and services that populations require in order to be productive. This is not to ignore “necessity” entrepreneurs that launch enterprises because
they have no other options. Both can and do contribute to economic growth.

3.2 Providing employment opportunities: New businesses need to hire employees. They create jobs and these economic opportunities uplift and support communities through increasing the quality of life and overall standard of living.

3.3 Commerce and regional economic integration: Technology has made it possible for small, entrepreneur-led businesses to expand into regional and global markets. When new businesses export goods and services to nearby regions, these enterprises contribute directly to a region’s productivity and earnings. This increase in revenue strengthens an economy and promotes the overall welfare of a population. Economies that trade with one another are almost always better off. Politics aside, engaging in regional and international trade promotes investment in regional transportation and infrastructure, which also strengthens economies. This has never been more true than it is today, as we live in increasingly interconnected global economy. Even for a large and advanced economy like the United States, foreign Markets have a significant role. Foreign trade, according to some estimates, is responsible for over 90 percent of our economic growth. Foreign trade, according to some estimates, is responsible for over 90 percent of our economic growth. What exactly is innovation and how does it promote economic development? Under what conditions, do entrepreneurs innovate? A widely-accepted definition measures innovation using a set of Criteria including how many new products are invented, the percentage of High-Tec jobs, and the size of the talent pool available to tech industry employers. More recently and increasingly, our definition of innovation has expanded to include the development of new service offerings, business models, pricing plans, and routes to market. While the role that startups and young tech companies play in job creation is well documented, their contribution to overall productivity is less intuitive and not discussed often. To better understand how innovation contributes to economic development, I’ve unpacked a few examples below.
3.4 **New technologies promote efficiency:** The ability to turn ideas into new products and services that people need is the fount of prosperity for any development country. Economic growth, generally speaking, is driven by new technologies and their creative applications. Periods of rapid innovation historically has been accompanied by periods of strong economic growth. The impetus of innovation is the greatest natural resource of all; the human mind. Creating innovative products and solutions requires an educated population and an environment where collaborative work can take place. In addition to being good for business, education increases workforce creativity and quality of life. **Addressing environmental challenges:** Innovation is (and will continue to be) crucial when it comes to addressing the enormous environmental challenges we face today: combating climate change, lowering global greenhouse gas emissions, and preserving biodiversity in the environmental. Without power for extended periods of time, commerce comes to a halt. Without water, we cannot live. Reliable access to these innovations (such as irrigation technology, electricity, and urban infrastructure) increases productivity and enhances economic development.

3.5 **Innovation impacts socio-economic objectives:** Innovative business practices create efficiency and conserve resources. Innovation in agriculture is especially relevant for addressing Socioeconomic challenges (in addition to encouraging economic growth). In the U.S. for instance, we waste billions of dollars annually due to inefficiencies and uncompetitive practices in our healthcare system. Hopefully, new ideas and innovations in the future will address these problems, resulting in further reforms. When this occurs, Americans ‘Overall health and quality of life will benefit, and so will our economy if our wasteful healthcare costs also decrease.

3.6 **Innovation happens where there is competition:** In essence, there is a positive feedback loop among innovation, entrepreneurship, and economic development.

New and growing businesses represent the principal sources of job creation and innovative activity in an economy, two factors that generally result in the rising standards of living for all.
5. Methodology of the study:

For measuring entrepreneurship development two proxies production per MSME and investment per MSME have been taken, for financial development stock market capitalization as percentage of GDP and foreign direct investment as percentage of GDP has been taken. The model can be depicted as

\[ Y_{t1} = f(FDI_t, GDP_t, MCAP_t) \]

\[ Y_{t2} = f(FDI_t, GDP_t, MCAP_t) \]

Where \( Y_{t1} \) denotes investment per MSME, \( Y_{t2} \) denotes production per MSME, FDI is foreign direct investment, SMC is stock market capitalization. The econometric models are

\[ \ln Y_{t1} = \beta_0 + \beta_1 \ln FDI_t + \beta_2 \ln GDP_t + \beta_1 \ln MCAP_t + u_t \]

\[ \ln Y_{t2} = \beta_0 + \beta_1 \ln FDI_t + \beta_2 \ln GDP_t + \beta_1 \ln MCAP_t + v_t \]

Where \( \ln \) is logarithmic transformation

5.1 Unit root test

It is essential to look for stationarity of data when dealing with time series regression otherwise it will lead to spurious regression the result will look good with significant t statistic but there would be no significant relation between the variables. In order to check the unit root presence Augmented Dickey–Fuller test (ADF) is used here.

5.2 Engle and Granger’s Co integration Test

This concept was first introduced by Granger in 1981; this technique is for testing relationship between two non stationery time series. Two non stationery time series are said to be co integrated if they are non stationary at level ie I (0) but both series are stationary at linear combination i.e at same differentiating level I (n). The linear combination cancels out the stochastic trends of the two time series; this is tested by ADF test. Running the regression on the raw data and testing for spurious regression the value of R2 should be smaller than
d (Durbin Watson) value obtained in the regression as a rule of thumb (Gujarati, 2003) or the residuals obtained must be stationary.

5.3 Error correction model

This method was first used by Sargan and later popularized by Engle Granger after correcting for disequilibrium. It states that if two variables are co integrated the relationship can be expressed as ECM (Gujarati, 2003)

\[ \Delta X = \alpha_0 + \alpha_1 \Delta Y + \alpha_2 \Delta t + \epsilon_t \]

Where, X is dependent variable at first differentiation Y is independent variable at first differentiation \( \Delta t \) is lagged value of error term obtained from Engle Granger co integration test, \( \epsilon_t \) is the white noise. The \( \alpha_2 \) is expected to be negative to restore \( \Delta X \) to equilibrium (Gujarati, 2003)

5.4 Data:

Data were obtained from different sources foreign direct investment taken for foreign investment (FDI expressed as a % of GDP) was obtained from UNCTAD, for economic growth GDPPC (gross domestic product per capita) was taken from world bank data, stock market capitalization as percentage of GDP was taken as proxy for financial development. For entrepreneurship measurement two proxies are used (a) average investment per MSME (b) average production per MSME these data were taken from annual report of ministry of MSME. All the values of variables were taken in US dollars at current price.

5.5 Results: Statinarity and Integration test: To test for stationarity and integration ADF test was used the result is reported in table 1

Table 1: Stationary test results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Differencing</th>
<th>t-statistic</th>
<th>P - value</th>
<th>inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>LFDI</td>
<td>Level</td>
<td>-2.728</td>
<td>0.0878</td>
<td>Non-stationary</td>
</tr>
<tr>
<td></td>
<td>First</td>
<td>-3.1128</td>
<td>0.0472*</td>
<td>Stationary</td>
</tr>
</tbody>
</table>
The ADF unit root test shows that the entire five variables are carrying unit root at level and are stationary at first difference. lfdi and linvest are significant at 5%, lmcap and lprod are significant at 1% while lgdp is significant at 10%. The results of ADF test shows that the variables are integrated at first order i.e. I (1). This shows that co integration exists among the variables.

**Long run equation:**

The equation that is formed in this paper is

\[
\text{linvest} = \beta_0 + \beta_1 \ln \text{FDIt} + \beta_2 \ln \text{GDPt} + \beta \ln \text{MCAPt} + u_t \\
\text{lprod} = \beta_0 + \beta_1 \ln \text{FDIt} + \beta_2 \ln \text{GDPt} + \beta \ln \text{MCAPt} + v_t
\]

The results obtained from this is

\[
\text{lprod} = 5.4416+0.37084 \ln \text{gdp}+0.12389 \ln \text{mcap}+0.04426 \ln \text{fdi} \\
(6.87)(3.22) (2.19) (1.00) \\
(0.00) (0.0053)(0.0436) (0.3319)
\]

R2 0.91 d=1.25

Production per MSME is found to be influenced by economic development, stock market capitalization however foreign direct
investment fails to influence entrepreneurship development. If per capita GDP is increased by 10% the average production is also increased by 3.7% significantly, whereas 10% increase in market capitalization per GDP increases production of MSME by 1.2%. The Durbin Watson value d is greater than R2 the long run equation is non spurious as rule of thumb (Gujarati, 2003)

\[ \text{Linvest} = 6.984 - 0.0827 \text{lfdi} + 0.289 \text{lmcap} + 0.034 \text{lgdp} \]

\[ (3.218)(-0.682) (1.869)(0.109) \]

\[ (0.0054) (0.504) (0.08) (0.9145) \]

\[ \text{R2} = 0.2816 \quad \text{d} = 0.647 \]

Investment per MSME is influenced by market capitalization at 10% significance level; however foreign direct investment and economic growth failed to influence investment per MSME. It is found statistically that 10% increase in market leads to 2.8 % increase in investment per MSME. The Durbin Watson value d is greater than R2 the long run equation is non spurious as rule of thumb. (Gujarati, 2003) Both the equation was tested for multicollinearity variance inflation factor (VIF). Variables with VIF value greater than 10 requires further analysis but here VIF were found to be less than 10. So the long run equation was free from multicollinearity

**Short run equation:**

The short run equations formed in this paper are

\[ \Delta \text{linvest} = \beta_0 + \beta_1 \Delta \text{lnFDIt} + \beta_2 \Delta \text{ln GDPt} + \beta \ln \Delta \text{MCAPt} + u_{t-1} + \varepsilon \]

\[ \Delta \text{lprod} = \beta_0 + \beta_1 \Delta \text{lnFDIt} + \beta_2 \Delta \text{ln GDPt} + \beta \Delta \ln \text{MCAPt} + v_{t-1} + \varepsilon \]

Where \( \Delta \) is the lagged value at first differentiation of variables, \( u_{t-1} \) and \( v_{t-1} \) are lagged value of the error term and \( \varepsilon \) is the white noise. The results obtained from this short term equation are

\[ \Delta \text{lprod} = -0.0697 + 0.0168 \Delta \text{lnFDIt} + 1.443 \Delta \text{ln GDPt} + 0.04 \Delta \ln \text{MCAPt} + -0.603v_{t-1} \]

\[ (-1.022) (0.345)(1.56) (0.789) (-2.334) \]
In the short run average production per MSME is not influenced by foreign investments, economic development and market capitalization. The lagged error term have negative coefficient and significant at 5% as desired for the equation.

\[ \Delta \text{linvest} = -0.234 + 0.097 \Delta \text{lnFDIt} + 3.02 \Delta \text{ln GDPt} + 0.017 \ln \Delta \text{MCAPt} -0.238 ut -1 \]

\( (-3.06) (1.88) (2.88)(0.29)(-2.306) \)

\( (0.0083) (0.081) (0.012) (0.77) (0.036) \)

R2=0.643 d=1.98

In the short run invest in MSME is influenced by foreign direct investment and GDP; these variables have immediate and positive effect on investment in MSME. The lagged error term is negative and significant at 5% as desired for this equation.

**Discussion:**

Entrepreneurship is getting importance as the current economic situation demand job providers to have a dominant role nation’s economy as India is struggling to provide job and income security to its citizens. Entrepreneurship provides significant role in the global as well as domestic economy by industrializing rural and backward areas, as a supplier of input to large industries, creating employment opportunities. It is key driver which transforms agriculture based economy to industry based which makes it even more important for India, as it’s % of population resides in rural areas which is devoid of basic amenities forcing people migrate from rural areas to urban areas. In 2015-16 there were 447.73 lakh working enterprise giving employment to 1012.59 lakh people. These have contributed 43% to Indian exports but only 17% is contributed to GDP while in OECD nation it contributes to 60-70% of employment, 55% to GDP. (Ministry of Finance, 2013) despite the importance of entrepreneurship environment for venturing into it is not so favorable
in India even though it has improved significantly. It is argued by economists that foreign investment, economic development and financial development have catalyzing effect in promoting entrepreneurship. As per findings, average investment on MSME is impacted by financial development, this could be of two reasons, first every entrepreneur wants to expand its business so transform it to public limited company and raise capital from market which will also reduce the risk on the owner. Second is that since, MSME contributes to the input of large industries their growth stimulate growth of the MSMEs. In short run investment is positively influenced by economic development and financial development.

The positive economic and financial environment created motivates entrepreneurial activity to gain from this development. In the long run economic development, financial development has positive influence on production per MSME. Economic development increases the purchasing power of the people which develops new market for small firms. Small firms which sells to both market or supply to big industries get benefitted by this development and these firms have to produce more. Financial development does in the similar way creating new avenue for investment. In the short run none of the independent variables i.e financial development, economic growth and foreign investment influence productivity of MSMEs.

This can be because immediate effect is not felt by the small firms. Entrepreneurship is an important area of focus for India to provide citizens income and job security. To promote it nation has several programs like PMGSY, entrepreneurship promoting agencies like SIDBI, IDBI etc but it has failed to deliver unlike other emerging economies like China, Morocco etc. The business environment should be made conducive to entrepreneurship policies have to be drafted which attracts foreign investments, promote economic and financial investment.

**Conclusion:**

This paper analyses the effect of economic development, financial development, and foreign investment on entrepreneurial development measured by production and investment. Using two step of Engle and
Granger because of the small size of our sample and the number of parameters to be estimated. The result shows that production is positively affected by economic development and financial development in the long run while in the short run production per MSME is not influenced by either of the variables selected as entrepreneurs look for long term benefit to start entrepreneurship or increase production. Investment per MSME is found to positively influenced by financial development proxied by stock market capitalization as percentage of GDP in the long run while foreign direct investment and GDP positively in the short run. To promote entrepreneurship, conducive environment should be made that creates scope for entrepreneur so that it reduces the risk associated with it. ‘We’ve become so obsessed with ‘Innovation’

That It’s Now Meaningless’ It’s important to understand that entrepreneurship and innovation are dependent on access and participation. For entrepreneurs to bring new ideas to life, they need access to education and a level-playing field on which to compete. In this vein, the role of government leaders and public policy is to create conditions that allow more entrepreneurs to start businesses by implementing policies which nurture that environment so those businesses can grow. Economic growth suffers when entrepreneurial activity is unevenly spread socio-economically, demographically, and geographically. Under the right Conditions, entrepreneurs have an incredible power. they help regional areas prosper economically and they also serve society as they help engineer innovative solutions to problems and challenges.

Secondly the establishment of Entrepreneurship Development Institutes and alike by the Indian Government during the last decades is a good testimony to her strong realization about the premium mobile role of entrepreneurship plays in economic development of the country. The important role that entrepreneurship plays in the economic development of an economy can now be put in a more Systematic and orderly manner as follows:

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
2. It provides immediate large-scale employment. Thus, it helps reduce the unemployment problem in the Country, i.e. the root of all socio-economic problems.
3. It promotes balanced regional development.
4. It helps reduce the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. It encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulate the process of economic development in the country.
8. Last but no means the least; it also promotes country’s export trade i.e. an important ingredient to economic development.

Lastly, Entrepreneurs should create more innovations for India’s development. It’s a known fact that Entrepreneurs are the harbingers of new innovations and fresh ideas. And our country, with its increased literacy rate, has a plentiful quality number of innovators, as evident by the increasing number of R & Ds shifts in our country. Entrepreneurs can therefore nurture a great change in the society with their fair set of innovations. Be it technological changes or social changes, the innovative ideas that an Entrepreneur bring in the society contributes towards the betterment of our country by the creation of better products and services. And the thing with innovation is that it creates a ripple effect in such a way that one innovation leads to another, with each innovation contributing some changes towards the society. Concluding on, creating jobs, generating wealth and nurturing innovation are some of the very crucial job roles that Entrepreneurs should play, all aimed towards sustained development of our country. Thus, it is clear that 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.”

References:


