

ENTREPRENEURSHIP AND INDIAN ECONOMY

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Abstract

Entrepreneurship introduces a critical element of dynamism into an economic system. A range of significant contributions by entrepreneurs and entrepreneurship include - creation of job opportunities, commercialisation of new innovations, products and political power in an economically positive manner, creation of new markets and expansion into international markets. In developing countries, entrepreneurship development has special significance for two reasons: increase in the pace of economic growth and the growth of small / tiny / tertiary sector generating more employment. An attempt has been made in this paper to briefly analyse the significance of entrepreneurship in India's economic development. It emphasises the changed scenario of entrepreneurship since 1991, the year of New Industrial Policy. The role of the Government in entrepreneurial development is highlighted. While emphasising the changed phase of entrepreneurial development, both through first generation entrepreneurs and diversified family business, the paper explicitly states that India, with her people who are professionally talented, can prosper better when the leap is from labour to intellect. With tremendous intellectual capabilities, the challenge for India is to build, shape and market her advantage to the world. That India's economic development, to a great extent can be determined by the entrepreneurial growth is stated by way of conclusion.

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Indigenous organisational and management capabilities can be better used by small scale industries by drawing on a pool of entrepreneurial talent which is limited in the early stages of economic development and by providing opportunities to the entrepreneurs to gain experience. Effectiveness of small enterprises depends on the entrepreneurial and managerial capabilities of those involved in the business.

The economic history of the presently developed countries (like America & Japan) tends to support the fact that the economic development is the effect and entrepreneurship is the cause. The crucial role played by the entrepreneurs in the development of western countries has made the economists conscious of the importance of entrepreneurship in economic development.

Entrepreneurship introduces a critical element of dynamism into an economic system. It is no coincidence that the world's leading economy, the United States, is believed to be the most entrepreneurial society in the world. A range of significant contributions that entrepreneurship can make to the development process include the following:

- Increased productivity through technical & other forms of innovations
- A powerful tool of job creation
- Facilitates transfer of technology
- Plays a strategic role in commercialising new innovations and products.
- Entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive.
- Entrepreneurs improve the social welfare of the country by harnessing dormant, previously overlooked talent.
- Entrepreneurs create new markets and facilitate expansion into international markets.

In developing countries, 'Entrepreneurship Development' has special significance for two reasons:

- (a) Growth of entrepreneurship of small-scale industry increases the pace of economic growth.
- (b) Development of small / cottage / tiny / tertiary sector has a higher potential for generating employment.

In a country like India, development of local enterprises would improve the economy, by facilitating a balanced regional development and checking migration of talent to urban areas.

Industrialisation in India began with the establishment of cotton textiles and jute mills by Parsees and Gujaratis. Entrepreneurs with mercantile background entered traditional industries like textiles, jute, sugar etc., which involved comparatively low risks and promised quick returns using simple technology. They established large-scale units. Entrepreneurs with a professional qualification launched non-traditional industries involving complex technologies, higher risks and longer gestation periods. They set up comparatively small-scale units.

One of the characteristics of Indian economy listed in leading books written by reputed economists is lack of entrepreneurship. Does India lack entrepreneurial spirit? Popular thinking suggests that India's relative economic stagnation may be partially attributed to inadequate entrepreneurship in the country. However, the concepts of entrepreneurship are not new to India. As petty shops / family trade / large business houses, entrepreneurship has been existing in India in one form or the other. At present, the coverage is wider (see Annexure 1).

The announcement of New Industrial Policy in 1991, with its aim to introduce measures of economic liberalisation and simplified rules and procedures, has facilitated the growth of private sector units. It introduced new measures like removal of local restrictions, inclusion of services, promotion of equality, technology, efficiency and substantial de-regulation. The 1990s saw educated professionals starting up their own units.

With the liberalisation policy and the desire to be self-employed, the first generation entrepreneurs are on the increase. Many executives of reputed organisations like Wipro (28 – 40 years old) have resigned from their well paid jobs to start their own enterprises. From their trading roots, family-owned business has become largely diversified groups with significant capital investments. The growth of Indian private enterprise in this period certainly does not suggest lack of entrepreneurial spirit. Post 1991 saw a host of new names being added to the corporate glossary.

Eg : 1. The Adani brothers, after creating India's largest trading house have earmarked all of Rs.20,000 crores for forays into power gas distribution, refining and an industrial park.

2. Dr. Pratap Reddy, with his daughter, transformed the Appollo group into India's largest health care services in the private sector.

The Government has been mainly responsible for the slow growth of entrepreneurship in India. Though industrialisation as one of the main goals was included in Indian planning, since the second Five Year Plan, various

policies protecting incumbents, absence of market mechanisms that differentiated between superior and inferior performers, and creating conditions that made domestic markets a safer, more profitable option than going global, restricted the growth of entrepreneurs. Despite the prevailing socialist mindset, several Indian companies continue innovating. The introduction and growth of India software industry is the best example of what is possible without structural bottlenecks.

Since the last decade, two sets of changes have been noticed:

- The obvious introduction of dynamism into the system through the process of globalisation. New opportunities have opened up in international markets, while the ban on domestic market has been lifted. The domestic market will no longer be of lower risk. It will force Indian entrepreneurs to regain their spirit of innovation.
- Social change has become more fast-paced. It includes increase in literacy levels, greater consumer awareness, enhanced media penetration, basic changes in family structures and attitudinal changes of educated professionals (from seeking high powered executive positions to desire to be self-employed motivating them to establish new enterprises)

The significance of entrepreneurship stems from the fact that India which has a surplus labour and various skills can aim at reduced rate of unemployment by starting enterprises by qualified and/or skilled people. The fact that the new entrepreneurs are educated professionals indicates a better future for Indian entrepreneurs. They not only know how to take risk but take them at a pace quicker than ever before. From the person who raked in money, the entrepreneur is becoming the champion of knowledge in the institution. Knowledge will provide a competitive edge to the organisation.

The establishment of many entrepreneurial development institutes like Entrepreneurial Development Institute of India, National Science and Technology Entrepreneurship Development Board of India and Technical consultancy organisations at many states clearly indicate Government's recognition of the need for entrepreneurial development.

The solutions for eliminating some of the structural constraints to entrepreneurship are no different from the solutions for creating higher economic growth rates. There are no easy answers to how the rate of change in entrepreneurial activities can be increased. Entrepreneurship extends beyond a conventional business and economic perspective.

India should no longer be content with being the back office to global economy, though cheap and skilled labour counts to prosper better when the leap is from labour to intellect. With tremendous intellectual capabilities, challenge for India is to build, shape and market this advantage to the world. The need of the hour is recognition of Indian calibre and creation of a stable and conducive environment that will reward and retain intellectual capabilities in India. For realising them, a stable Government and business enterprises are essential. India has potential development in software sector, semiconductor space, pharmaceutical, electronic goods, garment manufacturing, etc. For India to build and sustain such an advantage, there has to be proactive and collaborative efforts from stakeholders – namely, Government financiers and entrepreneurs. Frameworks to boost investment in knowledge sectors have to be created, financiers should encourage entrepreneurs to take more risk and channelise new funds to more value-added businesses. Entrepreneurs must aim at building world-class organisations. India, a repository of intellectual as well as physical resources, capable of generating value should work towards extracting and capturing value from these resources to facilitate better economic development.

The reforms of the industrial sector involve a number of structural changes, the most important one being the growth of entrepreneurship. The new economic policy proposed a transformation from a command economy to a market-driven economy. Liberalisation is meant to achieve structural adjustment. The main objectives of liberalisation include, improved financial management, deregulation of economy to encourage competition, better capacity utilisation, social justice and global integration. The major impacts of liberalisation are: more competition (entry of MNC being a feature) and infusion of the state of technology and work practice at macro level and confronting various challenges at micro level.

Annexure 1

The Entrepreneurs who changed The Face of Corporate India
(From Mid 19th c to late 20th c)

<i>Name</i>	<i>Enterprise</i>
1. C.N. Davar	First Steam-powered textile mill in Bombay

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| 2. | J.N. Tata | Inspired the establishment of Indian Institute of Science, Bangalore set up steelworks at Jamshedpur. |
| 3. | V.O. Chidambaram Pillai | Swadeshi steam Navigation company Ltd. |
| 4. | R.B. Mohan Singh Oberoi | Bought Clarke's Hotel, Simla, from British partner. Opened the first five star international hotel in Delhi. |
| 5. | H.H. Larsen | Set up a company with his partner S.K. Toubro, that became India's pre-eminent engineering giant. |
| 6. | Dr. Verghese Kurien | Creation of operation Flood, the largest dairy development programme in the world (Anand) [Economic power in the hands of producers] |
| 7. | K.K. Patel | Nirma detergent |
| 8. | A.V. Birla | A textile mill in Thailand & largest palm oil refinery in Malaysia. |
| 9. | Dr. Ambani | Reliance India |
| 10. | N.R. Narayana Murthy | Infosys, a Tech powerhouse |