

ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT IN INDIA : CHALLENGES AHEAD

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1.0 Introduction :

Entrepreneurship is the most important factor in the economic development of the country. It plays a very important and catalytic role in activating the factors of production leading to the overall economic development. The Entrepreneur organizes and utilizes the various factors and sets productive machinery in action. The availability of entrepreneurs therefore is the precondition for economic growth. The supply of entrepreneurs depends on the rate of profit and social climate. It is profit that induces the prospective entrepreneur to get into the business and start new activities or expand the existing activities. Profit, therefore is a factor which induces the entrepreneur to organize and utilize the factors of production for development. There is high degree of risk and uncertainty in economic world and in this context entrepreneurial behavior is important as development is a discontinuous process which itself proceeds with spurts.¹

1.1 Need for Entrepreneurial class :

Balanced development of a country, extension of the benefits of economic progress to the backward areas and widespread diffusion of industrial units are the important dimensions of planned development. However, experience of less developed countries shows that their efforts for achieving the balanced regional development would not succeed until such time they are able to initiate a widely diffused, yet viable industrialization process which demands for promotion of new entrepreneurship- a vital factor of production for the success of any adventure.

The dream of owning and operating a business is shared by majority of the population subject to constraints available to them. Entrepreneurs continue to strike out on their own which is motivated by the potential for profit, the freedom available in their own behavior and the ability to focus their efforts on what they truly enjoy. Some potential entrepreneurs prefer their own business in place of their successful careers in other organizations. Some others see entrepreneurship as an attractive option due to their personal problems. Thus, people who choose to start their own businesses assume many financial risks and work harder and longer than the average employee in an established organization but they are driven by the potential rewards and the great personal satisfaction that comes in the business ownership. In this context, monetary and achievement motivation have their own role in deciding the level of entrepreneurial behavior in the country."²

1.3 Role of incentives and Subsidy for encouraging Entrepreneurial Behaviour :

Incentives are motivational forces which improve productivity of entrepreneurs. They enable the entrepreneurs to take appropriate decisions and give capacity to implement them. In practice, incentives are concerned with actions to encourage productive activities. Generally, incentives include three variables: concessions, subsidies and bounties. Incentives are financial as well as non-financial. These incentives are necessary to encourage entrepreneur for undertaking entrepreneurial activities and achieving their goals. Concessions are relaxations in policies and guidelines which motivate the environment to undertake a particular entrepreneurial activity in a given environment. They may be monetary reliefs and right to enjoy certain freedoms from restrictions imposed by the Government from time to time. Subsidy relates with a single lumpsum payment given by the government to an entrepreneur compensating him for the excess cost over administered price for a particular product or service.

Thus, the basic purpose of incentives is to encourage an entrepreneur to undertake new entrepreneurial activities for increasing the supply of goods and services in the country.

Entrepreneurs are generally not inclined to set up industries in underdeveloped and far flung areas of the country. These areas also lack the experience of industrial administration, departmental support system and environmental growth potentialities. Infrastructural facilities are also not available in these areas. So government provides incentives and other assistance to lure entrepreneurs to develop their units removing all these deficiencies. Basically, policy of incentives and assistance forces the entrepreneurs to locate their industrial units in areas as identified by the government rather than that of their own choice.

The first generation entrepreneurs face many impediments and constraints. These are inadequate infrastructural facilities, distance between administrative organs and project sites, lack of supporting services like marketing intelligence, entrepreneurial guidance and training, technical consultancies and merchant banking facilities, lack of effective institution mechanism and ineffective orientation of promotional instructions developed by the Government. These constraints generally discourage entrepreneurs to undertake entrepreneurial activity. However, assistance, incentives and support system tend to mitigate some or all of the constraints. Industrial estates, industrial parks and growth centers, concessional finance, fiscal incentives and different types of subsidies are quite effective in removing all these constraints.

Some incentives are made available by the government at the time of promotion of business enterprises and some other incentives are available for a comparatively long period. During this period, they are expected to improve their competitive strength with existing units.

2.0 Process of Centralisation Vs. Decentralisation :

Locational or geographical mobility of entrepreneurs represents the drive and initiative to move to other places in search of better opportunities. For example, Marwaris and Sindhis in our country have moved to almost every corner of India to carry on business activities. Such a spirit helps to reduce regional imbalances in economic growth.

Development of technological parts, computing hub centre at Bangalore, cluster growth schemes and Special Economic Zones are the important dimension of centralised entrepreneurial behaviour at a particular place. There are three stages of entrepreneurial mobility. In the initial stage entrepreneurs are tied to their usual place of working. With gradual growth, they are likely to become relatively mobile within a limited area. When they become highly resourceful, greater degree of mobility occurs. This implies that in any country only a handful of entrepreneurs tend to be mobile.

Industries have a tendency to congregate near one another as they need infrastructural facilities, skilled labour, repair and maintenance services, supply of raw materials, tools, parts and components from trade and are helped by inter industry counseling and sales. Added to these general causes is the availability of service facilities like banking, telecommunication, marketing, transport, freight etc."³ To exploit these advantages and reap the consecutive benefits, the industrial estates programme was developed, which ensures artificial congregation of enterprises. Through this discussion, it is amply clear that industrial estate programme in India has its own significance and role in the development of economy. This programme can be a partial solution to many problems faced by developing Indian economy like poverty, unemployment, traditional skills obsolescence, self-reliance issues etc.

However, increasing concentration of industries at one place creates environmental and other social problems and that is why they have forced the regulatory authorities to order the shifting of industries from concentrated area to other areas who need the ray of industrialization process.

2.1 Eco Management :

There are many signs that the global economy in its present form is unsustainable. Climate changes, local air pollution, loss of biodiversity and ecosystems, degradation of farm land, and massive depletion and waste of natural resources are some of the environmental signs of the system's failure to respect the natural constraints upon human activity. "Human encroachment is undoubtedly bringing pressure on fragile ecosystem."⁴ In race for economic growth, the environmental considerations are taking a back and this trend, if continued, can prove as a disaster for mankind. Sever increasing concern about this adverse impact of industrial estates on the environment has led to development of terms like industrial ecology and eco industrial estates in an effort towards ecological modernization.

2.2 Innovation and Patent Regime :

There have been many positive changes in India in a very short time. Just a few years ago, the country was losing the battle to retain the best and the brightest of its engineers and computer scientists. The absence of an effective copyright law forced many of those scientists and technicians to emigrate to countries where their work would be protected from unfair exploitation by competitors. Recognizing this, the Government has already enacted the copyright law to protect the hard work and creativity of its computer scientists. The result is a burgeoning high-tech industry producing some of the worlds most advanced software and employing thousands of workers who might have otherwise left the country for greater pastures elsewhere in the world.

A major development was the recognition that knowledge based industry sectors can improve standard of living while protecting the environment. This prompted the Government to allow an Indian company Mahyco and a US firm Monsanto to commercialize, a biotechnology cotton variety. India has tremendous potential

in other economic sectors as well. The pharmaceutical industry has some of the world class research based sectors. With some \$ 2 billion exports, India is already the fourth leading supplier of bulk pharmaceutical products and active ingredients and thus pharmaceutical industry has established itself as a global player. India also possesses the world's third largest pool of scientifically and technically trained personnel. In 2000, the Drug Controller General of India (DCGI) received five applications for clinical trials involving few drugs. In 2001, it has received some 80 applications. Indeed, in the number of applications filed under the World Intellectual Property Organization Patent Cooperation Treaty, India now ranks third on the developing countries list. The work of India's highly trained pharmaceutical researchers can only bear fruit if it is sheltered by strong intellectual property rights protection.

The successful example set by the computer industry makes a sound patents regime that protects pharmaceutical products which will give the research in pharmaceuticals sector to flourish in the same way as the computer industry has given. As a member of WTO, India is committed under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) to establish a patent regime by 2005. The Government has also enacted world class patents legislation in 2001 as a second set of revisions to its patent law which dates back from the 1970s.

3.0 Conclusion :

Basically entrepreneurship is the promotion of economic change. Entrepreneurial behaviour is supposed to be directed to materialistic objective of maximization of economic welfare. Entrepreneurial activity is a form giving activity- giving form to the wishes of the society to ideas, to the efforts of the factors and to the raw material they process through. These factors promote economic growth and development perspective for the emergence of entrepreneurship.

Developing nations have begun to realise that for achieving the objectives of development, it is necessary to increase the quantity and quality of entrepreneurship in the country. It is possible for a country to have resources- labour, technology, technical knowledge and capital but its potentiality cannot be fully explored unless there are active and enthusiastic entrepreneurs who have the ability to organize the various factors of production.

4.0 References :

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