# **Entrepreneurship and Economic Development**

Entrepreneurship and economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Whatever be the form of economic and political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has a fabulous potential in a developing country like India. So, statistical data and its analyses of several countries show that small industries have grown faster than large industries over the last couple of decades. Large industries first lost jobs while small industries created new workplaces. The crux of the article is to examine the role of entrepreneurship in economic development. The focus is on small scale industries, which led to the main source of employment in the country.

# **Role of Entrepreneurship in Economic Development**

To find out this we need to find type of entrepreneurial activity countries are engaged in. Global Entrepreneurship Monitor (GEM) data is used to identify the type of activity in countries at different levels of development. The intent of GEM is to systematically assess two things:

The first one is level of start-up activity and the prevalence of new or young firms that have survived the start-up phase. First, start-up activity is measured by the proportion of the adult population (18-64 years of age) in each country that is currently engaged in the process of creating a nascent business.

The Second is, the proportion of adults in each country who are involved in operating a business that is less than 42 months old measures the presence of new firms. The distinction between nascent and new firms is made in order to determine the relationship of each to national economic growth. For both measures, the focus is on entrepreneurial activity in which the individual’s involvement have a direct ownership interest in the business. Opportunity entrepreneurship represents the voluntary nature of participation and necessity entrepreneurship reflects the individual’s perception that such actions presented the best option available for employment. Opportunity entrepreneurs expect their ventures to produce more high growth firms and provide more new jobs. Countries with high levels of necessity entrepreneurship get ranked the same as a country with low levels of entrepreneurship. Countries where more entrepreneurship is motivated by an economic opportunity recognized than by necessity have higher levels of income. We are finding How entrepreneurship is good for economic development?” for his we need to find meaning of entrepreneurship and self-employment. Entrepreneurship may not lead to economic development as there is no mechanism to link the activity to development. We have learned from the studies and trend that self-employment declines as economies become more developed. So we can conclude that when economies remove people from self-employment, there can be an increase in development.

We know that Corporations influence economic growth of the country by creating new plants which in turn provides ample of job opportunities. Researchers states that earlier analysis of economic development use to focus on big corporations ignoring the innovations that comes from small business .the potential entrepreneurs if thinking to start a business had to refer to Entrepreneurial Framework Conditions which means need to business is influenced by additional characteristics within the existing business environment. This have a significant effect on entrepreneurial process as this may lead to increase in innovation and competition having direct impact on national economic growth. Entrepreneurship is vital for larger economy. A nation’s economic development depends on successful entrepreneurship joint with the force of established corporations. However, the beneficial value of this mechanism varies with the national income, as measured by GDP per capita. At low levels of national income, self-employment provides job opportunities and scope for the creation of markets. As GDP per capita income increases, the emergence of new technologies and economies of scale allows larger and established firms to satisfy the increasing demand of growing markets and to increase their relative role in the economy. It is also observed that if people find stable employment, it will decrease business start-ups. Studies states that in high income economy, where lower costs and technology development is fast, entrepreneurs plays competitive advantage. Therefore entrepreneurs in different countries having different levels of GDP per capita face different challenges. This means conditions and framework for entrepreneur in one country may not be favourable and as effective in other region.

# **Job Creation and Training**

Many individuals are motivated and capable of developing small businesses but lack access to credit or have little business expertise. Recognizing this untapped potential, DOL initiated a demonstration to test ways of helping emerging entrepreneurs create, sustain, and/or expand their existing small businesses. We evaluated this initiative, Project GATE (Growing America through Entrepreneurship), finding that it had a small but significant effect on business ownership. We also conduct the Kauffman Firm Survey, the largest longitudinal survey of new businesses in the world, to catalyse understanding of how various factors influence entrepreneurship.

Creating more and better quality jobs is key to boosting growth, reducing poverty and increasing social cohesion. At national level, job creation requires a stable macroeconomic framework coupled with structural policies that encourage innovation, skills and business development. But how can national and local policies be better aligned and tailored to specific local opportunities and challenges? There are a number of barriers to getting the local conditions for job creation right. Policy makers often work in silos, due to institutional barriers and rigidities in performance management structures, and many policies are not flexible enough to be tailored to local conditions. Additionally, the search for efficiency in delivering national policies and programmes can sometimes lead to a lack of attention to the negative effects that a “one size fits all” approach can have in certain regions. This report provides guidance on how policy makers can bolster local job creation and achieve sustainable inclusive growth, while meeting challenges such as youth unemployment, population ageing and climate change.

Ensuring that employment and training policies link to local economic development is challenging, however, when there are a plethora of local actors working on different strategies and in different partnerships at the local level. Policy silos remain an important issue in many OECD (Organisation for Economic Co-operation and Development) countries. Employment offices, economic development agencies and local training institutions work separately from each other, following different policy objectives and working to different time scales. Such divisions are often taken for granted, blamed on historical working relationships (‘it has always been like that’) and organisational cultures (‘they don’t work like we do’). However evidence shows that such silos can be reduced through injecting greater flexibility into the management of policies, and the implementation of effective local governance arrangements.

# **Ideas Knowledge and Skill Development**

There is nothing new about the assertion that ideas and objects both contribute to the creation of wealth. Adam Smith emphasized that it is the objects like land and tools that constitute the true wealth of a nation, not monetary tokens, but even Smith recognized that these objects are of no inherent value as inputs without knowledge of how to combine them in ways that generate valuable output. Economists have used different terms to describe the activities that increased the stock of intangible knowledge or ideas - invention, innovation, discovery, technological change, entrepreneurship - but they have always acknowledged their fundamental importance. Yet over time, economists relied increasingly on mathematics as the language of intellectual discourse. As they did, objects took precedence over ideas for purely technical reasons. Objects lend themselves readily to analysis in terms of convex opportunity sets and price-taking competition. This lets all of the mathematical machinery of convex optimization come into play, including the suggestive duality between quantities and shadow prices. Ideas, in contrast, are inherently associated with fixed costs or no convexities, and are therefore inconsistent with price-taking. Ideas - like Adam Smith’s closely related notion of specialization and the division of labour - were pushed aside as the mathematical assumption of convexity and the behavioural assumption of price-taking took on greater importance in economic reasoning. In Marshallian analysis at the level of firm or industry, it was possible to consider both the price-taking behaviour of a competitive firm and the price setting behaviour of a monopolist. But when economists in general, and macroeconomists in particular, pushed formal modelling to the level of a general equilibrium in the economy as a whole, there was no way to maintain this symmetry. Until the middle of the 1970s economists could give a mathematical description of an entire economy only if they assumed that markets were characterized by perfect competition. There were some tentative early attempts to describe an aggregate equilibrium in which monopoly power was present [most notably by Joan Robinson (1933) and Edward Chamberlain (1933)]. Most economists, however, accepted the challenge of trying first to formalize existing intuitions in terms of perfectly competitive general equilibrium models

The cornerstones of a policy framework for developing a suitably skilled workforce are: broad availability of good-quality education as a foundation for future training; a close matching of skills supply to the needs of enterprises and labour markets; enabling workers and enterprises to adjust to changes in technology and markets; and anticipating and preparing for the skills needs of the future. When applied successfully, this approach nurtures a virtuous circle in which more and better education and training fuels innovation, investment, economic diversification and competitiveness, as well as social and occupational mobility – and thus the creation of more but also more productive and more rewarding jobs. Good-quality primary and secondary education, complemented by relevant vocational training and skills development opportunities, prepare future generations for their productive lives, endowing them with the core skills that enable them to continue learning.

Education, vocational training and lifelong learning are central pillars of employability, employment of workers and sustainable enterprise development within the Decent Work Agenda, and thus contribute to achieving the Millennium Development Goals to reduce poverty. Skills development is key in stimulating a sustainable development process and can make a contribution to facilitating the transition from the informal to the formal economy. Skills development is also essential to address the opportunities and challenges to meet new demands of changing economies and new technologies in the context of globalization. The principles and values of decent work provide guidance for the design and delivery of skills development and are an effective way of efficiently managing socially just transitions. At the International Labour organization’s (ILO) 2008 International Labour Conference (ILC), representatives of governments, employers and workers adopted a set of conclusions for using skills development to improve productivity, employment growth and development. The conclusions comprise a set of guidelines that can help sustain the competitiveness of enterprises and the employability of workers. In this framework, skills development can help build a “virtuous circle” in which the quality and relevance of education and training for women and men fuels the innovation, investment, technological change, enterprise development, economic diversification and competitiveness that economies need to accelerate the creation of more jobs, but also more productive jobs.



**Entrepreneurship and Economical Development**

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