

Entrepreneurship: The Fuel to Economic Growth



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Public policy has turned to entrepreneurship to provide the fuel for economic growth, competitiveness in globally linked markets, jobs. It talks about the knowledge spillover theory of entrepreneurship suggests that entrepreneurship provides a crucial mechanism in the process of economic growth by serving as a conduit for knowledge spillovers. Entrepreneurship provides the missing link to economic growth. This new focus of entrepreneurship as a conduit transmitting the spillover of knowledge generates a series of theoretical propositions, the given abstract also concludes about the process of entrepreneurship and Joseph Schumpeter's creative destruction. The topic is hampered by a lack of empirical evidence.

Keywords: Conduit for Knowledge Spillover, Theoretical Proposition, the Missing Link to Economic Growth, Joseph Schumpeter, Creative Destruction

1. Introduction

The word entrepreneur originates from the French verb *entreprendre*, which means “to undertake”. In the words of Nathaniel H Left, entrepreneurship is the capacity of innovation, investment, and expansion in new markets, products, and techniques. Entrepreneurship is a process of searching for new ideas and exploiting them into gainful opportunities by accepting the risk and uncertainty. An entrepreneur plays a crucial role in fueling the economic growth by innovation, utilization, and maximization of available scarce resources. Entrepreneurs are frequently thought of as national assets to be cultivated, motivated, and remunerated to the greatest extent. If successful, their innovations may improve standards of living, and in addition to creating wealth with entrepreneurial ventures, they also create jobs and contribute to a growth economy.

Increase in a country's productive capacity, as measured by comparing gross national product (GNP) in a year with the GNP in the previous year.

An increase in the capital stock, advances in technology, and improvement in the quality and level of literacy are considered to be the principal causes of economic growth. In recent years, the idea of sustainable development has brought in additional factors such as environmentally sound processes that must be taken into account in growing an economy.

Entrepreneurial development has become a major key to economic growth. The objectives of industrial advancement, regional growth, and employment growth depend on all entrepreneurial development.

Entrepreneurship and Economic Growth

Innovation is a vital source of economic growth that benefits the economy as a whole. In economic terms, innovation is a process of development and application of ideas and technology that improves goods and services or makes their production process more convenient. One of the major benefits of entrepreneurship is its contribution to the growth of the nation. Entrepreneurship through innovation can lead to higher fecundity meaning that the same input would generate colossal output. As fecundity rises more goods and services are produced- in other words, the economy grows. Entrepreneurship boosts economic growth by introducing innovative technologies, products, and services. Entrepreneurial activity raises the productivity of firms and economies. Entrepreneurs are the stimulators to economic growth. Entrepreneurial growth has led to a plethora of economic benefits such as new jobs, goods, and services. Hence the nations also need to play their role in reassuring their growth and also developing strategies to provide them with the base and the support to the entrepreneurial ecosystem in the country.

In layman's language, an economy can be defined as a general area of production, distribution, trade, and consumption. It follows a simple rule of demand and supply. Whatever the consumers need and demand is produced and supplied by the producers in the economy.

The idea that entrepreneurship and economic growth are very closely and positively linked together has undoubtedly made its way since early works of Schumpeter (1911)¹. An increase in the number of entrepreneurs leads to an increase in economic growth. This effect is a result of the concrete expression of their skills, and more precisely, their propensity to innovate. Schumpeter has already described this innovative activity, “the carrying out of new combinations”, by distinguishing five cases:

1. The introduction of a new good – that is one with which consumers are not yet familiar – or of a new quality of a good.
2. The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

3. The opening of a new market that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
4. The conquest of a new source of supply of raw materials or half manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.
5. The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position” (Schumpeter, 1963). Through his innovative activity, the Schumpeterian entrepreneur seeks to create new profit opportunities. These opportunities can result from productivity increases, in which case, their relationship to economic growth appears quite clearly. Moreover, the disequilibrium created by the entrepreneur can be propitious for additional innovations and profit opportunities. Therefore, more entrepreneurs mean more growth, which in turn, leads to more entrepreneurs. The phenomena seem to be self-feeding.

2. Entrepreneurship-Innovation-Growth

Innovation as an asset can lead to economic growth. With the increase in productivity more goods and services are produced and the economy grows which stimulates wages and business fecundity. Innovation and fecundity growth bring ample benefits to consumers and businesses. As productivity rises, the wages of workers increase. They have greater amounts of money in hand, and so this enables them to buy more goods and services. At the same time, businesses become more profitable, which enables them to imbue and hire more employees. Countries such as China and South Korea have set the standards of how innovation can be used efficiently leading to growth. A classic example of this is the creation of the assembly line by Henry Ford which remodeled the automobile industry and the concept of manufacturing worldwide. The immediate impact of the assembly line was:

1. The dramatically increased production on Model T.
2. The fall in production time.
3. It increased the profit margin of the company and reduced the cost of the vehicle for the consumers.
4. The number of working hours were cut down.
5. The workers didn't suffer from lower wages instead the company nearly doubled the existing standard wage.

Today, the assembly line is the principal mode of manufacturing in the industry. Items ranging from food to automobiles pass down assembly lines worldwide before reaching us.

Innovation

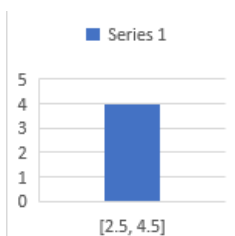


New plans and applied science are developed and applied, generating greater output with the same input.

Fecundity



Amassment



More Goods and Services are produced, stimulating wages and business profitability.

Creative destruction is the ongoing process of creating changes in technology and business models that made the skills that make successful organizations obsolete. Joseph Alois Schumpeter said that entrepreneurship is the ability to act in order to take advantage of the opportunities created by innovation and new discoveries. Various examples include high street travel agents disrupted by online platforms etc.

Joseph Alois Schumpeter emphasizes on the fact that the competition destroys existing production structures in order to replace them with innovative structures and he did not know how to underline the positive aspects of innovation, which may arise without necessarily destroying the ability to make a living, of those used to the old way of doing things if they show adaptability to changes.

Industry Threatened	Innovation
Online Travel Platforms	More travelers booking online
Small components manufacturers and distributors	The growing use of on-site 3d printing to make parts.
Driverless Cars	Motor Insurers
Horse carriage	Automobile
Covered Wagon	Railroad
Railroad	Airplane
Electric Vehicles	Car repair garages
older markets and laborers	assembly line
taxi cab drivers to mapmakers	mobile Internet

However, it has a dark side: the social cost that this process produces on the people affected. If enough alternatives for change are not open, not only will fail the economy but markets, organizations, and individuals will also fail. There are only two choices: to keep playing or to be erased.

Joseph Alois Schumpeter concludes that the competitive advantage is always in the process of becoming outdated due to the continuous technological advancement, change in tastes and preferences of the consumer. He also emphasizes on the dynamic environment.

3. Knowledge Spillover Theory

According to the information overflow hypothesis of business enterprise, the setting where basic leadership is inferred can impact one's assurance to turn into a business visionary. Specifically, a setting that is wealthy in information produces enterprising open doors from those thoughts. By commercializing thoughts that developed from an occupant association by means of the making of another firm, the business person (human capital) not just fills in as a channel for the overflow of information, yet additionally for the resulting imaginative movement and upgraded monetary execution through asset designation. The information overflow hypothesis of business enterprise unites contemporary speculations and contemplations of business enterprise with winning hypotheses of financial development, geology, and methodology and in this way clarifies not exactly why a few people decide to turn into a business person, yet in addition why this issues altogether for the economy and society.

The field of business has been characterized as the investigation of "how, by whom and with what results in chances to create future merchandise and ventures are found, assessed and abused" (Shane and Venkataraman, 2000). Be that as it may, it very well may be contended that examination has concentrated on disclosure, misuse, and their outcomes absent a lot of regard for the nature and wellsprings of chance itself. While a few scientists contend that the subjectivity or socially built nature of chance makes it difficult to isolate it from the individual, others fight opportunity is a target develop noticeable just to the learned and adjusted people. In either case, a lot of feebly held presumptions seem to rule this discussion leaving the central idea of chance obscure and uncertain (Acs and Audretsch, 2005). Schumpeter, like others, didn't accept that the business person needed to stress over where openings originate from. Yet, for the investigation of business enterprise as a field, the inquiry where openings originate from is focal. While the age of researchers spent the better piece of 50 years attempting to make sense of the relationship among the business visionary, item improvement and mechanical development (Shane and Ulrich, 2004), another age of researchers had the option to clarify where opportunity themselves originated from. Today we realize that the innovation opportunity set is endogenously made by interests in information (Jones, 2002). In any case, not exclusively does new information add to mechanical chance, however, it likewise overflows for use by outsider firms, regularly new pursuits (Azoulay and Shane, 2001 and Archibald, Thomas Betts and Johnston, 2002)

4. Conclusion

Advancement is a crucial wellspring of monetary development that advantages the economy all in all. The advantages of business enterprise are its commitment to the development of the country. business through advancement can prompt higher fertility implying that similar info would produce huge yield. As fruitfulness rises more merchandise and ventures are created in different words, the economy develops. Entrentreperuship helps monetary development by presenting inventive advances, items, and administrations. Pioneering action raises the profitability of firms and economies. Business visionaries are the triggers of financial development. Pioneering development has lead to plenty of financial advantages such as new openings, products, and administrations. Henceforth the countries likewise need to play their job in consoling their development and furthermore creating techniques to furnish them with the base and the help of the innovative biological system in the nation.

The information overflow hypothesis of business unites contemporary speculations and considerations of enterprise with winning speculations of monetary development, geology, and procedure and accordingly clarifies not exactly why a few people decide to turn into a business visionary, yet in addition why this issues altogether for the economy and society. The undertaking is critical as it can improve lifestyles and make wealth, for the businessmen, yet notwithstanding related associations.

Business visionaries moreover help drive with changing with progression, while great as ever things enable new markets to be made. Economy wise, higher benefits because of big business can help bolster national compensation and appraisal salary. Businessmen contribute to various habits additionally, for instance, placing assets into organize adventures and supporting close by philanthropies.

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