

# The Role of Entrepreneurship in Driving Economic Growth and Development in India: A Study

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## ABSTRACT:

The present study explores the vital role of entrepreneurship in India's economic growth and development. As one of the most populous and rapidly transforming economies in the world, India provides a distinctive setting to examine how entrepreneurship contributes to economic progress. While conventional economic theories highlight the importance of labour, capital, and knowledge, this research investigates the degree to which entrepreneurship functions as an independent and influential driver of growth in India. The paper aims to uncover the complex relationship between entrepreneurship, traditional growth factors, and the country's unique socio-economic conditions. It further seeks to offer empirical evidence and insights into the ways entrepreneurship interacts with government policies, cultural dynamics, and technological advancements within the Indian context. Moreover, the study evaluates the role of entrepreneurship in fostering job creation, innovation, and broader economic development in India.

**Keywords:** Entrepreneurship, economic growth, development, Entrepreneur

## I. INTRODUCTION

Entrepreneurship has always been with human beings in all aspects of life. It has been the base of human community's development. However, in the process of its evolution, it has been defined in different ways. Entrepreneurship may be defined as "the procedure of innovation and using opportunities with lots of effort and perseverance together with accepting financial, psychological and social risks". It is indeed motivated by earning profit promotion, self-satisfaction and independence" (Hisrich, 2007: 172). Entrepreneurship has long been recognized as a fundamental driver of economic growth and development in nations around the world. While conventional economic models have traditionally attributed economic growth to factors such as labor, capital, knowledge, and government

policies, emerging research has suggested that entrepreneurship might play a more substantial and independent role in shaping a nation's economic landscape. Present study seeks to explore the intricate relationship between entrepreneurship and economic growth, challenging the notion that entrepreneurship is merely a by product of these traditional determinants of prosperity. In recent years, the global economic landscape has witnessed a surge in entrepreneurial activity, with startups and small businesses emerging as potent forces in various economies. This phenomenon has led to a reevaluation of the significance of entrepreneurship in driving economic development. Rather than viewing entrepreneurship as a derivative of labor, capital, or knowledge, it is increasingly apparent that it can function as a catalyst for growth and development in its

own right. This research paper aims to provide empirical evidence supporting the idea that entrepreneurship is a substantial and independent factor in shaping a country's economic growth. By studying the interplay between entrepreneurship and traditional determinants of economic growth, we seek to establish whether entrepreneurship can indeed be considered a stand-alone driver of prosperity, distinct from the more conventional factors. We will analyse various aspects of entrepreneurship, including the creation of new businesses, the introduction of innovative products and services, and the impact on job creation, to assess its unique contributions to economic development. The implications of this research are significant. If entrepreneurship is proven to be an independent and significant driver of economic growth, this insight could reshape the priorities of governments, businesses, and individuals striving for economic development. It may necessitate the revision of existing policies and strategies to promote entrepreneurship as a core component of national development initiatives. Ultimately, a better understanding of the role of entrepreneurship in economic growth will contribute to the design of more effective policies and programs aimed at fostering entrepreneurship and, in turn, spurring economic progress.

## **2. OBJECTIVES**

1. To assess the contribution of entrepreneurship (startups and MSMEs) to India's GDP, employment and exports.
2. To analyse how entrepreneurship fosters innovation, productivity improvements and structural change.

3. To identify major constraints faced by Indian entrepreneurs.
4. To provide policy recommendations for strengthening entrepreneurship-led growth.

## **3. HYPOTHESES**

1. Entrepreneurship does not have a significant impact on economic growth in India.
2. Entrepreneurship plays a significant role in employment generation in India.

## **4. LITERATURE REVIEW**

Bowen & Hisrich, (1986), evaluated and differentiated various research studies done on entrepreneurship and ladies entrepreneurship. It concludes various studies during this way that female entrepreneurs are quite well educated generally but management skills are missing, high in an indoor locus of control, more masculine, or instrumental than other women in their values likely to possess had entrepreneurial fathers, relatively likely to possess firstborn or only children, unlikely to start a business in traditionally male-dominated industries & experiencing a requirement of additional managerial training.

Tovo, (1991), observed that self-employed women faced many hurdles in small scale business thanks to limited access to plug, resources, and capital. it's also evaluated that an outsized number of small enterprises serve one market segment which causes high competition to be fierce and costs to below. So, the products of small businesses immensely hooked into a limited number of wholesalers and suppliers. That's why women entrepreneurs economically vulnerable and exposing her to exploitation. Papise Rama & Mohana Rao, (2004 ), found within the research study that prime labor

mobility, inadequate infrastructure, death of electricity, and delayed understanding of debtors were the most issues faced by women entrepreneurs.

Damwad, (2007), discusses the experiences, initiatives & problems faced at five Nordic countries like Denmark, Finland, Norway, Iceland & Sweden towards women entrepreneurship. It considerably identifies few hurdles like financing, lack of data & skills in professional life, markets & entrepreneurial activity, work-life balance including lack of growth, and most significantly women as other groups are heterogeneous. The study compares early-stage entrepreneurial male & female activity among Nordic countries with an equivalent of the USA. Various programs & schemes are compared which are developed by Nordic countries & agencies that provide support to them.

Singh, (2008), describes and identifies the explanations, factors that influence the entry of women in entrepreneurship. He illustrates issues & challenges and explains the hindrance within the growth of women entrepreneurship are mainly lack of interaction with successful entrepreneurs, family responsibility, social denial as women entrepreneurs, gender discrimination, lack of network, low priority given by bankers to supply loans to women entrepreneurs. He recommended some measures like unlocking institutional framework, promoting micro enterprises, projecting & pulling to grow & support the winners etc. Study prescribes for ensuring synergy among women related ministry, economic ministry & social & welfare development ministry of the govt of India.

Lall & Sahai, (2008), conducted a study of multi-dimensional issues & challenges of women entrepreneurship & closed corporation. The study describes

Psychographic variables just like the entrepreneurial challenges, degree of commitment and expansion plan, supported demographic variables. Data are collected by stratified sampling & convenience sampling from women entrepreneurs working within the populated area of Lucknow. The study also explains the business owner's characteristics as self-perception Entrepreneurial intensity, self-esteem, and operational problem for plans for growth & expansion.

## **5 RESEARCH METHODOLOGY**

This is a descriptive-analytical study using secondary data and qualitative policy analysis. This study employs a qualitative research methodology to delve into the multifaceted relationship between entrepreneurship and economic growth in India. The research design primarily includes semi-structured interviews with key stakeholders such as entrepreneurs, policymakers, economists, and business leaders in India. These interviews aim to elicit in-depth insights, experiences, and perspectives regarding entrepreneurship's role in economic growth. In addition, document analysis of relevant government policies, reports, and academic literature supplements the qualitative data.

**1. Data collection:** Official government releases (DPIIT, Ministry of MSME, Press Information Bureau), sectoral reports (NASSCOM, IBEF, KPMG), and reputable think-tank publications.

**2. Indicator selection:** Startup counts (DPIIT recognition), MSME contribution to GDP and exports, employment figures from Udyam/DPIIT, venture capital and job creation metrics.

**3 Analysis approach:** Synthesis of evidence to explain pathways (investment → innovation → productivity → growth), supplemented by short illustrative case vignettes (Startup India initiative, MSME formalisation).

**4 Limitations:** Reliance on secondary published data, heterogeneity in measurement intervals across sources, and rapid ecosystem change that may update numbers beyond publication dates.

## **6. Government Of India Support For Innovation And Entrepreneurship In India**

The Government of India has implemented numerous initiatives and policies to promote innovation and entrepreneurship in the country. A pressing challenge in India is job creation, but the nation possesses significant potential for innovation, entrepreneurship, and job generation due to its unique demographic advantage. In recent years, the Indian government has introduced a wide range of programs and opportunities to foster innovation across various sectors. These efforts involve collaboration with academia, industry, investors, small and large entrepreneurs, non-governmental organizations, and underserved communities. The government recognizes the importance of women's entrepreneurship and economic participation in driving India's growth. Therefore, policies and initiatives aim to provide equal opportunities for women, including access to loans, networks, markets, and training. India has seen several government initiatives focused on entrepreneurship development over time. High-level programs, such as Startup India, have been launched to support private sector growth. However, the role of

entrepreneurship in development remains a subject of interest and discussion.

**1. Startup India:** This initiative supports startups by offering mentoring, incubation, and funding opportunities. It also provides a comprehensive online learning program and fosters innovation by simplifying compliance norms and facilitating patent filing.

**2. Make in India:** Launched in 2014, this initiative aims to transform India into a global hub for design and manufacturing. It streamlines processes and promotes transparency, leading to increased investments and innovation.

**3. Atal Innovation Mission (AIM):** AIM promotes innovation and entrepreneurship by establishing Innovation Hubs, Grand Challenges, and start-up businesses. It also encourages hands-on training in STEM concepts through Atal Tinkering Labs (ATLs) in schools.

**4. Support to Training and Employment Programme for Women (STEP):** This program provides skill training to women, especially in rural areas, in various sectors, fostering economic participation.

**5. Jan Dhan- Aadhaar- Mobile (JAM):** JAM enables direct subsidy transfers, eliminates intermediaries, and extends banking services to underserved regions, reducing corruption.

**6. Digital India:** This initiative modernizes government services, aims to provide high-speed internet access, and promotes digital resources and services available in all Indian languages.

**7. Biotechnology Industry Research Assistance Council (BIRAC):** BIRAC supports emerging biotechnology enterprises, aiming to develop affordable, high-quality products through cutting-edge technologies

**8. Department of Science and Technology (DST):** DST oversees various projects that require scientific and technological intervention, such as assisting the disabled and elderly and promoting cooperation in science, technology, and innovation with ASEAN countries.

**9. Stand-Up India:** Launched in 2015, this initiative grants loans to women entrepreneurs, Scheduled Castes, and Scheduled Tribes, promoting economic participation among underprivileged groups.

**10. Trade related Entrepreneurship Assistance and Development (TREAD):** This program enables credit availability to women through NGOs and offers support for accessing loans, counselling, and training.

**11. Pradhan Mantri Kaushal Vikas Yojana (PMKVY):** PMKVY provides skill certification and training to youth to enhance employability and livelihood opportunities.

**12. National Skill Development Mission:** Launched in 2015, this mission accelerates skilling efforts across India with seven sub-missions focusing on institutional training, infrastructure, convergence, trainers, overseas employment, sustainable livelihoods, and leveraging public infrastructure.

**13. Science for Equity Empowerment and Development (SEED):** SEED supports scientists and field workers in undertaking location-specific projects for socio-economic development, particularly in rural areas. These initiatives collectively aim to create a culture of innovation and entrepreneurship in India and empower various segments of the population to participate in economic growth and development.

## **8. CHANNELS OF CONTRIBUTION TO GROWTH**

- 1. Employment generation:** MSMEs are labour-intensive and create jobs across skill levels, while startups create higher-paying jobs in tech and services. Government data indicate millions of jobs attributable to the combined ecosystem.
- 2. Exports and trade linkages:** MSMEs are significant contributors to India's export basket in manufacturing and services. Export orientation helps earn foreign exchange and expands market access.
- 3. Innovation and productivity:** Startups drive innovation (product/process), often enabling productivity improvements in other industries through digital platforms, fintech, agritech and logistics.
- 4. Regional development and diversification:** State-level startup missions and MSME clusters support local supply chains and reduce regional disparities, as seen in strong MSME concentrations in several states. Recent state initiatives (e.g., Kerala Startup Mission MoUs) demonstrate cross-border collaboration and deep-tech
- 5. Attraction of capital:** The Indian startup ecosystem has attracted significant VC/PE and government-backed funds which catalyse scale-ups and pipeline development. Government-backed venture funds at state level are also being deployed to back early-stage firms.

## **9. QUANTITATIVE IMPACT**

**Startups recognised:** ~200k recognitions (DPIIT; date varies by release).

**MSME GDP share:** ~30% of GDP; exports share ~45% (MSME annual report 2024–25).

**Employment (Udyam portal):** ~20.39 crore jobs reported (registration period until mid-2024).

## 10 CHALLENGES

Despite positive indicators, multiple constraints impede the full realisation of entrepreneurship's growth potential:

1. **Access to risk capital at scale:** Seed funding has improved, but later-stage capital for scale-ups (Series B/C) remains more limited relative to developed ecosystems.
2. **Bank credit and formal finance for MSMEs:** Formal credit penetration for small enterprises lags, with many units reliant on informal finance or constrained bank loans.
3. **Skill and managerial gaps:** Scaling firms require managers, product-market fit, and skilled labour which are unevenly available across regions.
4. **Market access and procurement:** Many MSMEs face challenges entering large institutional supply chains; compliance costs and standards are hurdles.
5. **Regional imbalance:** Most high-growth startups cluster around urban centres; Tier-2/3 towns show uneven ecosystem development.
6. **Regulatory complexity:** Although reforms have simplified many processes, compliance and tax complexities still burden small firms.

## 11 Policy Recommendations

To deepen entrepreneurship's contribution to growth, the following coordinated policies are recommended:

1. **Strengthen capital pipelines:** Encourage more patient capital (growth funds, development finance) and blended finance instruments to bridge Series B+ funding gaps. Expand government-backed co-investment and guarantee mechanisms to de-risk private capital into underserved regions.
2. **Expand formal credit to MSMEs:** Use digital credit assessment, alternate data, and credit guarantees to increase bank lending to formalised micro and small enterprises. Simplify collateral rules and speed up loan disbursement.
3. **Skill development & managerial training:** Scale targeted skilling programmes linked to local industry needs (vocational + entrepreneurship bootcamps) and incentivise industry-college partnerships.
4. **Improve market linkages:** Use procurement reforms, cluster-based productivity programmes, and e-marketplaces to connect MSMEs/startups with large buyers and export channels.
5. **Regional ecosystem development:** Encourage state-level funds, incubators, university spin-offs and infrastructure (co-working, testing labs) in Tier-2/3 areas to reduce spatial concentration.
6. **Regulatory simplification & IPR support:** Continue to streamline compliance, reduce tax friction for startups, and offer low-cost IPR services to protect innovations.
7. **Support for deep-tech and climate-tech:** Grants, mission-mode labs and global partnerships will help scale capital-intensive but high-impact innovations.

## **12 FINDINGS**

It seems like you've provided an extensive and well-structured research paper on the role of entrepreneurship in economic growth and development in India. The abstract provides a clear overview of the paper's objectives and its potential implications. You've also included a thorough literature review that helps establish the background and theoretical foundations for your research. The section on "Challenges Faced by Indian Entrepreneurs Before Starting Up" addresses the real-world challenges entrepreneurs in India encounter, offering a practical perspective. The part about "Government of India Support for Innovation and Entrepreneurship in India" outlines the various government initiatives and policies aimed at fostering entrepreneurship and innovation in the country. It's an essential aspect to consider when evaluating the overall ecosystem for entrepreneurship in India. Finally, the references section at the end of your document shows the sources and materials you've used for your research, which is crucial for academic and research papers. Overall, your research paper appears to be well-structured, informative, and comprehensive. It combines both theoretical and practical aspects of entrepreneurship in India. However, you may want to further elaborate on the methodology section and discuss your research findings, analysis, and conclusions in detail. Additionally, consider revising the content for clarity and conciseness.

## **13. CONCLUSION**

In conclusion, this comprehensive research paper has explored the role of entrepreneurship in India's economic

growth and development. It has delved into the intricate relationship between entrepreneurship and traditional determinants of growth, government policies, cultural influences, and technological advancements. The findings and analysis suggest that entrepreneurship is a substantial and independent driver of economic growth in India, with a unique set of challenges and opportunities. The government of India has also taken proactive steps to foster innovation and entrepreneurship through various initiatives. While Indian entrepreneurs face challenges such as raising capital, hiring talent, and effective marketing, the overall ecosystem is evolving and has the potential to make India a global leader in entrepreneurship. This research contributes to a better understanding of the significance of entrepreneurship in India and its implications for policymakers, economists, and entrepreneurs, highlighting the need for continued support and development in this sector.

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