

## Chapter 3

# Role of Entrepreneurship in Networked Indian Economy

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### ABSTRACT

*Historically, all societies may have a constant supply of entrepreneurial activity, but that activity is distributed unevenly. Urban areas are favourable for innovative entrepreneurship, as a result of economies of density and the opportunities created by the city as a nucleus of a broader network. Thus, a modern entrepreneur tends to become increasingly a network operator and manager. The purpose of this chapter is to contribute to our understanding on entrepreneurship in networked economy of India; thereto the literature is summarized from the perspective of geographical seedbed conditions and network constellations. It focuses on the role played by small firms and entrepreneurship. The constraints are identified, and the areas that need action are highlighted. It is also suggested that in the age of liberalization and globalization, any attempt at creation of a competitive environment in the country would need to explicitly note the emerging global production and knowledge networks.*

### INTRODUCTION

Entrepreneurship is important in the daily business environment and plays a crucial role in the world economy. Entrepreneurship is an interesting topic as it deals with the behaviour of the firm, entrepreneur and the entrepreneur's main competencies. However, the field of entrepreneurship world over is evolving and so is it in India. Joseph Alois Schumpeter pointed out over one hundred years ago that entrepreneurship is crucial for understanding economic development. Today, despite the global downturn, entrepreneurs are enjoying a renaissance the world over according to a recent survey in the *Economist* magazine (Woolridge, 2009). The dynamics of the process can be vastly different depending on the institutional context and level of development within an economy. As Baumol (1990) classified, entrepreneurship within any country can be productive, destructive or unproductive. If one is interested in studying entrepreneurship within or across countries, the broad nexus between entrepreneurship, institutions, and economic development is a critical area of inquiry and one which can determine the eventual impact

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of that entrepreneurial activity. The interdependence between incentives and institutions, affect other characteristics, such as quality of governance, access to capital and other resources, and the perceptions of what entrepreneurs perceive. Institutions are critical determinants of economic behavior and economic transactions in general, and they can have both direct and indirect effects on the supply and demand of entrepreneurs (Busenitz & Spencer, 2000).

The role incentives play in economic development has become increasingly clear to economists and policymakers alike. People need incentives to invest and prosper. They need to know that if they work hard, they can make money and actually keep that money. As incentive structures change, more and more entrepreneurial activity is shifted toward productive entrepreneurship that strengthens economic development (Acemoglu & Johnson, 2005). This entrepreneurial activity tends to explode during the innovation-driven stage that culminates in a high level of innovation, with entrepreneurship leveling out as institutions are fully developed (Fukuyama, 1989).

The interlinking of business processes and economic activity through the use of information technology is commonly referred to as network economy. Thus information technology is used for interlinking business processes and economic activity. Hence, the Network Economy is the emerging economic order within the information society that was enabled by the arrival of internet, mobile phones, social networks etc.

## **ENTREPRENEUR AND ENTREPRENEURSHIP**

The word entrepreneur has Latin roots – *entre* means *to enter*, *pre* means *before* and *neur* means *nerve center*. Entrepreneurs are individuals who enter any business and change that businesses nerve center (Shef sky, 1994). According to another school of thought the word *entrepreneur* originates from the French and the exact meaning is *the one who takes between*. An entrepreneur is known as the coordinator of different factors of production, the risk taker, the capitalist employer, the owner-manager etc. Thus, every economist understands that an entrepreneur is important and has a huge impact. Economists consider entrepreneurship as a meta-economic event and profoundly shape an economy. Economists not only have any explanations for the emergence of entrepreneurship which took place during the late nineteenth century but also as why entrepreneurship is not related to a particular culture or a country. It is interesting to note that almost 75% of the new jobs added to the American economy every year lead to over 99% of all the United States employers. The 2006 Global Entrepreneurship Monitor (GEM) observed that entrepreneurial behaviour is very important for innovation and growth of an economy and the companies need to take their attention towards the unexploited opportunities (America, 2008). Another entrepreneurship research paper prepared for the first GEM research conference which analyzed the GDP for 36 countries, found that entrepreneurship plays a different role in countries in different stages of the economic growth and hugely affects the growth of an economy (GEM database, 2004). Therefore, it is essential to understand what kind of economy is prevailing as there is a direct relationship between the entrepreneurs successes and failure and economy.

Entrepreneurs, in the purest sense, are those who identify a need - *any* need - and fill it. It's a primordial urge, independent of product, service, industry or market. Thus, someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a

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