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Abstract
Economic development requires sustainable and shared increases in per capita income accompanied by changes in the structural composition of an economy towards higher value added goods and more efficient production methods. Entrepreneurs can contribute to economic development by facilitating the reallocation of resources from less to more productive uses by performing ‘cost-discovery’, ‘gap-filling’, and ‘input-completing’ functions in the economy and by supporting structural change. Joseph Schumpeter pointed out a century ago that entrepreneurs are often innovators, bringing new goods and technologies to markets, opening up new markets, processes, and ideas, and commercializing new knowledge. But, it is often mistakenly suggested that innovation by entrepreneurs is less important for growth in low-income developing countries than in more advanced economies. Research at the intersection of the fields of entrepreneurship, innovation, and development is still in its infancy. In this paper, we will study about the meaning of entrepreneurship and innovation. Further the paper will focus on the effects of innovation on entrepreneurship and economic growth. At the end of paper, role of key stakeholders in innovation ecosystem of India will also be discussed.

Key Words: Globalization, Innovation, Economic Growth, Policy, Key Stakeholders, Entrepreneurship, Entrepreneurs, Knowledge, Innovation,

1. INTRODUCTION
Today, innovation performance is a crucial determinant of competitiveness and national progress. Moreover, innovation is important to help address global challenges, such as climate change and sustainable development. But despite the importance of innovation, India face difficulties in strengthening performance in this area. Indeed, many companies have seen little improvement in productivity performance in recent years despite the new opportunities offered by globalization and new technologies, especially the information and communication technologies (ICT).
A reform agenda Government policy can support innovation by continually reforming and updating the regulatory and institutional framework within which innovative activity takes place. In this context, reforms are needed to make public policy and regulatory framework more conducive to innovation in a range of policy areas from the general business environment — especially in the services, particularly in the network industries — to international trade and international investment, financial markets, labour markets, and education. Governments can also play a more direct role in fostering innovation. Public investment in science and basic research can play an important role in developing ICT and other general-purpose technologies and, hence, in enabling further innovation. This highlights the importance of reforming the management and funding of public investment in science and research, as well as public support to innovative activity in the private sector. The latter calls for an appropriate mix of direct and indirect instruments such as tax credits, direct support and well-designed public private partnerships, support for innovative clusters and rigorous evaluation of such public support. In view of the changing environment for innovation, it is also important to consider whether the current system of IPR rules and practices continues to stimulate innovation while allowing access to knowledge. In certain cases the abuse of the control with which IPR owners are endowed could hamper competition, fair use and the diffusion of technology. However, regardless of issues related to the flexibility of the IPR system, stronger efforts are needed to combat counterfeiting and piracy, which are serious and growing problems.

2. OBJECTIVES OF STUDY
The main objective of this paper is to study the interrelation between entrepreneurship, innovation and economic growth and also study the impact of innovation and entrepreneurship on the economic growth done by the present government on Indian economy and system.

3. RESEARCH METHODOLOGY
This research study is basic research based on secondary data which was collected from various sources. Data was collected from websites, journals, newspaper articles, magazines and books. Research is descriptive in nature.

4. CONCEPTS AND DEFINITIONS
   ➢ Entrepreneurship
The discipline of entrepreneurship generally studies the why, when, and how of opportunity creation, recognition, and utilization. Hence, a widely quoted definition of entrepreneurship is that it is about the ‘discovery and exploitation of opportunities’ (Shane and Ventakaraman 2000). Baumol (1990) recognized that not all opportunity exploitation will necessarily be in society’s best interest, and he defined entrepreneurs very broadly as ‘persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige’ (ibid.: 987). Thus entrepreneurial talent can be allocated in ways that retard economic development. In this paper we focusing on productive entrepreneurial activity. This consists
Anuradha.:: Entrepreneurship, Innovation And Economic Growth

ISSN: 2347-1697
International Journal of Informative & Futuristic Research (IJIFR)
Continuous 61st Edition, Volume - 6, Issue -1, September 2018

of the creation, recognition, and utilization of positive opportunities within existing firms (or through creation of new firms) in such a way that involves ‘innovation’—or the provision of ‘new combinations’.

Before defining what is meant by this ‘innovation’ (see section 1.2.2) we should note that three main conceptual approaches to entrepreneurship can be distinguished in the literature.

The first approach focuses on the entrepreneurial function, the second on the performance of enterprises and the third on owner-operated enterprises. The functional perspective is concerned with the dynamic actors that make key decisions on investment, production, innovation, location, or research and development. This conception of entrepreneurship is broader than that of entrepreneurs who run their own businesses. It also includes managers of multinational firms, state enterprises, or non-profit organizations and a variety of dynamic intrapreneurs within organizations. In this perspective entrepreneurship is a psychological trait referring to dynamism, creativity, and originality. As in the early Schumpeterian tradition, the difference between entrepreneurial behavior and innovation is blurred: entrepreneurial behavior is innovative behavior. If one is not innovative, one is not entrepreneurial.

The second strand of research focuses on the firm as the key economic actor. The firms studied include owner-operated firms, incorporated joint stock companies, state-owned firms, joint ventures, and subsidiaries of multinationals. The firms are the units that make the key decisions on investment, on branching into new activities or sectors or relocating to other countries. There is by now a large literature on firm-level behaviour in developing countries, examining firm characteristics, including their economic performance, their innovative performance, their capabilities and their business strategies.

The third research tradition deals with an important sub-set of firms, namely owner-operated enterprises. The entrepreneur is the person who is both owner and actively involved in running his/her own business. Here the focus is often on small and medium-sized enterprises (SMEs) and self-employment, as exemplified by many papers in this collection. Like the second approach, this research tradition tries to distinguish between high potential, innovative firms that survive and grow and stagnant firms that barely survive or exit the market. One sub-category of firms which receives special attention is that of start-ups, especially in the work associated with the Global Entrepreneurship Monitor (GEM), which provides estimates of start-up rates across countries. Though the emphasis of this research tradition is on SMEs, we should not forget that very large companies are sometimes also run by their entrepreneurial owners.

Innovation

Following the Oxford Handbook of Innovation (Fagerberg, Mowery, and Nelson 2005), the concept of innovation refers to the putting into practice of inventions. A narrow strictly technological approach focuses specifically on product and process innovations, or technological innovation, often said to be the result of knowledge-intensive (technological) entrepreneurship. A broader approach refers to innovation as the development of new
products, new processes, new sources of supply, but also to the exploitation of new markets and the development of new ways to organize business. One can distinguish between more incremental innovations and more radical innovations. It is important to note that innovation does not only refer to the first introduction of novelty by a first mover, but also to the spread of the innovation to other actors in the economy. An important distinction in the innovation literature is between innovations that are new to the world, innovations that are new to the domestic market or innovations that are new to the firm (Fagerberg 2005). Innovations that are new to the world are primarily found in the advanced economies. They are based on research and development at the frontiers of global knowledge. In developing countries far removed from the international technological frontier, innovations will tend to be new to the market or new to the firm. Innovations new to the market in developing countries refer to the international diffusion and absorption of technology. The domestic firm introduces innovations which have already been developed elsewhere, but which are new to the market in their own country. Innovations new to the firm refer to knowledge flows within the domestic economy. The innovation is already present in the market, but is now adopted by a given firm. What is new to the firm may not be very innovative in any objective sense. It may be simply introducing a machine for molding handles of kitchen knives, rather than doing it by hand or introducing a new oven for hardening ceramics. 

Like entrepreneurship, innovative performance has been measured in a variety of ways, using patents, trademarks, R&D, inputs, and other secondary indicators such as publication. Since the 1980s, increasing use has been made of innovation surveys amongst firms. In innovation surveys, firms are asked whether they have introduced innovations. The main focus in most innovation surveys is on technological innovations resulting in new products or new production processes.

Elements of innovation

Innovation is the successful development of competitive advantage and as such, it is the key to entrepreneurship. The entrepreneurs are the “dreamers”, who take hands on responsibility for creating innovation. It is the presence of innovation that distinguishes the entrepreneur from others. Innovation, must therefore, increase competitiveness through efforts aimed at the rejuvenation, renewal, and redefinition of organizations, their markets or industries, if business are to be deemed entrepreneurial. Fiona Fitzpatrick identified the following elements of innovation:

1. Challenge: What we are trying to change or accomplish-the “pull”
2. Customer focus: Creating value for your customers – the “Push”
3. Creativity: Generating and sharing the idea(s)- the “brain”
4. Communication: The flow of information and ideas –the “life blood”
5. Collaboration: People coming together to work together on the idea(s) - the “heart.”
6. Completion: Implementing the new idea-the “muscle”.
7. Contemplation; Learning and sharing lessons lead to higher competency-the “ladder”
8. Culture: The playing field of innovation includes:
   i. Leadership (sees the possibilities and positions the team for action-the role model)
ii. People (diverse groups of radically empowered people innovate –the source of innovation)

iii. Basic values (trust and respect define and distinguish an innovative organization-the backbone).

iv. Innovation values (certain values stoke the fires that make “impossible” possible the Spark).

9. Context: Innovation is shaped by interactions with the world.

B. Forms of innovation

In a start-up, the entrepreneur is regarded as the key actor in developing a business idea, marshalling resources, and creating an enterprise to bring a new product or service to the market. In a competitive business environment, the entrepreneur and the enterprise should continue to seek out now opportunities and make the necessary arrangement to convert them into new goods and services. Innovation should, therefore, impregnate the entire enterprise for the creation and invention of competitive edge and relevancy in the market place.

Innovation can take several forms:

- Innovation in processes, including changes and improvement to methods. These contribute to increases in productivity. This lowers cost and helps to increase demand.

- Innovation in products or services. While progressive Innovation is predominant, radical innovation opens up new markets. These leads to increases in effective demand which encourages increases in investment and employment.

- Innovation in management and work organization, and the exploitation of human resources, together with the capacity to anticipate techniques.

Innovation centers on people, culture, structure, process and technology. Innovation is the process through which the entrepreneur converts market opportunities into workable, profitable, and marketable ideas. Innovation is an application of something creative that has a significant impact on an organization, industry or society. Entrepreneurship is the continuing generation of Innovation in response to perceived opportunities in the business environment. In this approach, entrepreneurship is therefore concerned with newness: new ideas, products, services or combinations of resources aimed at meeting the needs of consumers more efficiently. Entrepreneurship has been described in terms of the ability to create something from practically nothing. It is initiating… and building an enterprise rather than … watching one. It is the knack for sensing opportunities where others see chaos, contradiction and confusion. It is the ability to build a “founding team” to complement your own skills and talents. It is know –how to find, marshal and control resources. Finally, it is a willingness to take calculated risk.

5. THE IMPACT OF INNOVATION ON DEVELOPMENT

Innovation is central to modern theories of growth and development (Verspagen 2005). Along with the traditional factors such as costs, technological product, and process, innovations have become the key to competitiveness and business success. Competition in
the global economy has increasingly become knowledge-based. Even in supposedly traditional economic sectors such as textiles, leather, or food processing innovation and technological advance has become the key to growth (c.f. Mytelka 1999). The same holds for service sectors such as distribution and retailing, financial services, and ICT services. Innovation is also intimately tied up with changes in the structure of the economy, technological upgrading in production, and moving to higher value added activities in global value chains. Technological change is embodied in new generations of machinery and equipment and new generations of better educated workers. There are also disembodied advances in product and process technology, which result from formal and informal investment in R&D, capabilities, and on-the-job learning. Embodied and disembodied technological change raises total factor productivity—which has been found to explain more than half of the variation in economic growth rates between countries (Helpman 2004). But it not only raises the quantity of economic output, but also the quality and nature of what is produced. It results in an ever wider range of new goods and services. This powerful impact of technological change is aptly described by Lipsey, Carlaw, and Bekar (2005: 5):

*People living in the first decade of the twentieth century did not know modern dental and medical equipment, penicillin, bypass operations, safe births, control of genetically transmitted diseases, personal computers, compact discs, television sets, automobiles, opportunities for fast and cheap worldwide travel, affordable universities, central heating, air conditioning...technological change has transformed the quality of our lives.*

Both endogenous growth theory and evolutionary growth theory emphasize that the traditional factors of production such as labour or capital are subject to diminishing returns, while investment in knowledge has increasing returns due to positive externalities and knowledge spillovers between economic actors (e.g. Romer 1990). Endogenous growth theory argues that the most advanced economies with their superior systems of innovation profit more from investment in knowledge than less advanced economies. First, R&D efforts and scientific research are still overwhelmingly concentrated in the most advanced economies (Szirmai 2008, 2011). Next, the flow of knowledge and technology from first movers to followers is very rapid, so that innovations quickly diffuse throughout the economy. Endogenous growth theory thus helps us understand the process of divergence in per capita incomes between rich and poor countries in the world economy. However, innovation and technological advance can also result in accelerated catch-up in developing countries. What endogenous growth theory fails to capture is the fact that in an increasingly unequal world economy, several developing countries have experienced rapid economic catch-up. They were able to absorb and creatively adapt international technological knowledge to achieve accelerated growth. Evolutionary growth theories argue that latecomer economies may profit from the advantages of technological backwardness. They can benefit from global diffusion of technology. They can access new technologies without bearing all the costs and risks of investment in new knowledge. Amsden’s argues that privately owned domestic firms in East Asia were better at adopting and absorbing technologies from advanced economies than foreign-owned firms. Stam and van Stel highlight how the adoption of foreign technology
provides entrepreneurs with a potential to create new markets and contribute to structural change and self-discovery. Whether developing countries are able to profit from the advantages of technological backwardness clearly depends on their social capabilities and absorptive capacities. Hence, importantly for developing countries, innovation does not only refer to the development of new products or processes, but also to the capacity to creatively absorb technology. If the absorptive capacities of a country are sufficiently developed, very rapid economic growth in a technologically backward country is not a miracle; it is the norm (Szirmai 2005, 2011). It is here where the entrepreneur makes his or her entrance. Traditional macroeconomic growth theory is a black box which relates inputs and outputs. The study of entrepreneurship opens this black box and allows us to analyse the characteristics and choices of different types of firms and entrepreneurs that are responsible for capital accumulation, hiring of workers, structural change, and the development or adoption of new technologies. The entrepreneurs are the actors that respond to opportunities, threats, uncertainties, constraints, and incentives emanating from the economic environment in which they operate. This puts entrepreneurship at the heart of economic growth, development, and catch-up. By innovating and commercializing inventions and by adopting innovations developed by others, developing country entrepreneurs affect the rate of technological change and the structural transformation of the economy. Entrepreneurs, commercializing technology, often through creation or expansion of firms, apply and spread technology in a way which raises total factor productivity. The creativity, capabilities, dynamism, and innovativeness of the entrepreneurs in a country are important aspects of the absorptive capacity, which is such a distinctive characteristic of successful development experiences. How entrepreneurs perform this function will vary across various stages of a country’s development. It is important to take the context of developing countries into account. In catch-up countries, innovative entrepreneurs initially focus on delivering incremental improvements to existing foreign designs, rather than the risky development of products and technologies that are new to the world. In later stages of development, they will gradually shift to innovations which are more novel in a global perspective. Thus, the challenges faced by the entrepreneurs will also change in the course of economic development.

6. KEY STAKEHOLDERS IN THE INNOVATION ECOSYSTEM IN INDIA

Designing the innovation ecosystem in India would require participation of three key stakeholders: the corporate sector, the entrepreneurial sector and the government. Each of these will need to play critical roles in developing and deploying innovation-driven solutions in India in the coming years.

❖ Role of the corporate sector: Lead and implement change

India’s private sector—including both established corporates and entrepreneurial companies—is more agile than the government and the social sector in terms of its ability to design new business models and to leverage new technologies. Given their experience with globalization, private sector companies are well-positioned to learn and experiment with best practices developed by their global counterparts. International companies looking to participate in high-growth markets are also well-equipped to develop relevant solutions for
the Indian market. Corporates would also need to support the entrepreneurial ecosystem in the country, making them partners on this growth path. The corporate sector could help small and medium-sized enterprises (SMEs) by engaging them as providers. By bringing them into their supply chain, the corporate sector could connect new ventures to markets. Private sector players could enable innovative solutions to develop and prosper in various ways:

The Tata Consultancy Services (TCS) Co-Innovation Network (COIN) is an example highlighting the role of the corporate sector in fostering innovation. The network comprises customers, alliance partners, venture capitalists, start-ups, academic institutions and industry groups organized to create a research and innovation ecosystem. Through COIN, TCS identifies new products, and disruptive innovations, and then supports the entrepreneurs in developing client solutions, through its own capabilities and with the help of other COIN partners. COIN has also established alliances with entrepreneurs in the US, Europe, and Asia focusing on emerging areas such as data-center optimization, on-demand distributed software development, and compliance-cost-reduction solutions.31 Other such initiatives include Mahindra Rise and Google Launchpad, which are focusing on funding innovation and mentoring start-up firms.

- **Role of the entrepreneurial sector: Generate ideas for change**

Like established corporations, entrepreneurial companies in India will play a critical role in developing and deploying new solutions. Indeed, the large Indian companies of tomorrow will emerge from the entrepreneurial sector of today. On its own, India’s corporate sector lacks the capacity to generate the 12mn jobs needed each year to absorb new entrants into India’s working population. The entrepreneurial sector possesses various qualities critical for developing innovative solutions: nimbleness in operations, depth in ideas, willingness to take risks, an aptitude for fast decision-making and bold leadership. India therefore needs to cultivate entrepreneurs on a scale unprecedented in its business history. A groundswell of entrepreneurial energy in India has sparked recent, well publicised successes in the e-commerce sector alone, and our research suggests the potential for similar entrepreneurial growth in virtually all of India’s sectors.

- **Role of the government: Facilitate and direct change**

This growth journey will require a public-private partnership at the broadest level. The government will be required to continue to build national platforms such as improved physical connectivity as well as better digital infrastructure, which will enable a number of other sectors to progress. In addition, a key role of policymakers is to create an environment conducive to business formation: making it easy to launch and operate a business, establishing a regulatory environment that enables competitive markets to flourish, while protecting consumer interests. It will have to play the role of a facilitator, providing incentives and policy support to new technologies and businesses. Government stakeholders have the responsibility to understand national priorities and set milestones for socioeconomic development. Accordingly, they need to create incentives for solutions to be devised in a particular direction, while fostering development of industry standards for new solutions to be designed. For example, regulatory alignment with market dynamics has been a key
enabler across different successful financial inclusion models worldwide. Regulations in Kenya allowed mobile money transactions to be conducted without linking them to bank accounts, thus enabling Safari.com to offer an e-wallet solution at low registration costs that widened its reach to the unbanked population. Similarly, the regulator in China allowed the entry of non-traditional players such as technology companies to extend financial services. Ali Finance, a subsidiary of Alibaba, extends credit benefits to micro-entrepreneurs. Its Taobao platform has 16 million vendors, with 90% being small microenterprises that face issues around access to finance. Ali Finance extends credit to these vendors based on a scoring model developed using online trading data, analyzing criteria such as revenue growth, transaction data, user ratings, usage levels and repeat buyers, among others. Such solutions need significant support from policymakers to be designed and implemented at a scale that creates positive change.

7. GLOBAL INNOVATION AND ENTREPRENEURSHIP: FUTURE FORECAST

Based on the current information available, innovation and entrepreneurship will continue to expand in the future across borders, because of the existence of these six circumstances: global market conditions, entrepreneurial mindset, eroding confidence in established institutions, shifting business environment, international collaboration and environmental/technological advancements.

i. **Global market conditions:** Trade barriers are easing. Economies are interdependent. Communication via the Internet has never been easier or more accessible. These conditions drive political reform, cultural transparency, social progress and a great deal of wealth creation.

ii. **Entrepreneurial mindset:** Entrepreneurs have the ability to see, understand and take advantage of evolving markets. The entrepreneur’s ability to think differently, use insights, see what others don’t, envision what doesn’t yet exist, and identify opportunity when it’s ripe – these are the prized qualities of today’s entrepreneur.

iii. **Eroding confidence in established institutions:** The recent world economic meltdown is removing any last confidence that most people had in governments and large enterprise banks and other financial entities. The resulting mistrust will lead to reinventing ourselves as individuals, communities, countries and societies. As such, many more entrepreneurs will be joining the field.

iv. **Shifting business environment:** Large-scale firms are synonymous with bureaucracy which tends to stifle innovation. In response, the business environment is shifting to accommodate the needs of its rapidly changing market players. Innovation and entrepreneurship are beginning to flourish around the world and will likely take the form of much smaller, yet bolder companies. Knowing and catering to this is how entrepreneurial ventures beat corporate giants to the punch. Any company, large or small, that continues down the same path it has always taken will find it to be a losing proposition.

v. **Entrepreneurial collaboration:** Also, on a global scale, there will be more
entrepreneurial collaboration, which in turn will make shared innovation between countries a far more common occurrence at the company to company level – not just at universities and research institutions. One of China’s approaches for creating an innovative nation is the Technology Business Incubator (TBI). China’s mission is to nurture “technopreneurs” and technology-based start-ups. Business incubation is considered a viable option for countries that want to expand economic opportunities.

vi. **Growth of environmental and sustainable engineering technologies:** A growing consciousness about the value of protecting our world will fuel the demand for products and services that can accomplish this goal.

### 8. CONCLUSION

Successful entrepreneurs require an edge derived from some combination of a creative idea and a superior capacity for execution. Creativity and Innovation are at the heart of the spirit of enterprise. It means striving to perform activities differently or to perform different activities to enable the entrepreneur deliver a unique mix of value. Thus, the value of creativity and innovation is to provide a gateway for astute entrepreneurship—actively searching for opportunities to do new things, to do existing things in extraordinary ways. Creativity and Innovation therefore, trigger and propel first-rate entrepreneurship in steering organization activities in whatever new directions are dictated by market conditions and customer preferences, thereby delighting the customers to the benefit of the stakeholders. Innovation also means anticipating the needs of the market, offering additional quality or services, organization efficiently, mastering details, and keeping cost under control.

No doubt, the current economic environment is a volatile and violent one. The new environment demands renewed dynamism of approach. Creativity and innovation is the new name of the game. Only the discerning organizations can manage the changes inherent in the new environment. It is the duty of the entrepreneur to keep his/her organization lean, young, flexible, and eager for new things to continuously delight the customers, which is the purpose of every business. The pace of economic and industrial progress is directly proportional to the efforts made towards research and development (R&D), which acts as a reliable measure of innovative capacity. R&D spend in India has grown to 0.9% of the country’s GDP. More needs to be done to match the government’s target of achieving R&D expenditure of 2% of GDP, as this will also help the nation in increasing the manufacturing base under the Make in India program.

### 9. REFERENCES


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This is certified that the paper entitled

**Entrepreneurship, Innovation and Economic Growth**

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has been accepted & published online in IJIFR continuous 61st edition

**Volume 6-Issue 1, September 2018 under Paper ID: IJIFR/V6/E1/09.**

The mentioned paper is accepted after rigorous evaluation through double blind peer reviewed process.

**Authorized Signature With Seal**

Dated: 30/09/2018