IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 8, Issue 6 Ver. I (Nov.- Dec .2017), PP 83-89
www.iosrjournals.org

Entrepreneurship Development in India: Role of Foreign Direct Investment and Economic Growth

Dr Sandeep Bansal
Associate professor
Commerce Seth Phool Chand Bagla (PG) College Hathras UP

Abstract
When it comes to boosting the economy, creating jobs, and improving living conditions in rural areas, nothing is more essential than encouraging the growth of India's entrepreneurial spirit. Entrepreneurs and small business owners may believe they are helping themselves and their families by creating jobs and expanding their operations, but in reality they are benefiting their entire communities, states, and regions. Wealth generation and sharing, job creation, balanced regional development, GDP and per capita income, living standards, exports and community development are seven significant responsibilities that entrepreneurs play in the country's economic development.
In a free market economy, entrepreneurs play a key role. For the simple reason that business owners ignite and fuel the economy. All across the world, governments that foster an entrepreneurial spirit have the most economic success.
Based on data gathered from a survey of small and medium-sized firms (SMEs) during the period of 1992–1993 to 2015–2016, this article analyses the effects of financial development, economic development, and FDI on entrepreneurial development. The error correction model reveals that investments per MSME have a favourable impact on financial development in the long run. Fixed investment by MSMEs benefits from both foreign investment and economic growth in the short term. Economic and financial growth have a favourable effect on MSME output in the long run, but none of the chosen independent variables have any bearing on MSME output in the short term.
Keywords: *MSME, Error Correction Model, FDI, GDP*

I. Introduction

The Indian economy grew as a result of liberalization's ability to entice foreign investment; as a result, GDP per capita climbed, stock market capitalization grew, and the benefits of these trends were reinvested. Developments have lowered the globalisation and information channel distribution market, offering new avenues for entrepreneurs to expand and capitalise on opportunities. The liberalisation of the economy in 1991 prompted many economists to advocate for lowering regulatory hurdles for new businesses and welcoming more international investment. The stock market and economy also profited from foreign investment, which makes investment in India a viable business. Was this newfound opportunity helpful to business owners, though? (1)

A plethora of opportunities for domestic and international investment arise as economies grow. When investor confidence rises, new business activity is driven by a wave of capital spending and technological advancements. One improvement assists with the beginning stages of another's development, creating a virtuous cycle. Starting a business and dealing with the inherent dangers requires this sort of optimistic disposition. Factors Influencing Entrepreneurship: Opportunities, Needs, and Abilities (Davidsson & Honig, 2003) Opportunity is a function of economic and financial growth, investor confidence, and policies encouraging business creation. However, entrepreneurs' primary contribution to national growth is the generation of national wealth.

Entrepreneurs A startup's ability to generate and distribute income is greatly enhanced by entrepreneurial initiative. Businesses may do what entrepreneurs failed after the independence of India, such as education and rural India. Make money using instruments that bring revolution to develop new India. Think about the amount of societal change that can bring to our country from the next Google or Microsoft in India, and the wealth it generates. Given that India's poverty rate increased by 37.2%, entrepreneurs must build a wealth overflow in the country for development.

Employment Opportunities:
Entrepreneurs employ labor for managing their business activities and provide employment opportunities to a large number of people. They remove unemployment problem.

Balanced Regional Development: Government encourages decentralised industrial growth by providing greatest incentives for setting up shop in economically disadvantaged and rural areas. And so businesspeople, seeing the potential benefits, set up shop in economically depressed and rural areas. By generating economic activity and employment in rural areas, they also contribute to alleviating urban issues such as traffic congestion, slums, poor sanitation, and pollution. They contribute to raising the quality of life in suburban and rural communities.
Mobilization of Local Resources: Entrepreneurs help to mobilize and utilize local resources like small saving and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.
Optimization of Capital: Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment Capital ratio.
Promotion of exports: Entrepreneurs reduce the pressure on the Country's balance of Payments by exporting their goods they earn Valuable foreign exchange through exports.
Consumer Demands: Entrepreneurs produce a wide range of products required by Consumers. They meet the demand of the consumers without creating a shortage for goods.
Social Advantage: Entrepreneurs help in the development of the society by providing employment to people and paves for independent living. They encourage democracy and self- governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society. (4)
Increase Per Capita Income: Entrepreneurs help to increase the per Capita income of the Country in Various Ways and Facilitate development of backward areas and weaker sections of the society.
Capital Formation: A Country can attain economic development only when there are more amounts of investment and production. Entrepreneurs help in channelizing their saving and saving of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.
Growth of Capital Market: Entrepreneurs raises money for running their business through shares and debentures. Trading of Shares and debentures by the public with the help of financial services sector leads to capital market growth.
Growth of Infrastructure:
The infrastructure development of any country determines the economic development of a country, entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.
Development of Trader: Entrepreneur plays an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country. (5)
Economic Integration: Entrepreneur decreases the concentration of power in a few hands through creating job possibilities and through equitable distribution of revenue. Business owners help the economy grow and prosper by implementing government-mandated economic policies and legislation. By conforming to the laws and regulations established by the government to ensure the smooth operation of company, they contribute to reducing the wealth gap.
Inflow of Foreign Capital: Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses. (6)
Significance of Study: Schumpeter (1934) believed that the entrepreneur was the most important player in economic growth because of his ability to introduce novel ideas. According to Parson and smelser (1956), greater capital output is the other fundamental prerequisite for economic growth. Both Harbison (1965) and saying (1962) credit entrepreneurs as key figures in driving innovation. Some people also believe that even when economic conditions are "correct," development does not occur naturally; rather, it requires a catalyst or agent, which in turn necessitates an entrepreneurial spirit. Because of this talent, he is able to recognise possibilities that most people either overlook or disregard. The essence of an entrepreneur's work is to look for opportunities, recognise when they exist, and then assemble the resources (human and financial) to take advantage of them. Some of the most prominent instances of such successful businesspeople include Akio Morita, Sony's president, who used the company's goods to develop the walkman personal stereo, and Gulshan Kumar, T-president, Series's who exploited India's huge audio-cassette-starved market. There is no universal function for entrepreneurs in economic growth; instead, it varies from country to country and is conditioned by the availability of raw materials.

Environment for business and how well governments support entrepreneurs. In economies where opportunities are plentiful, business owners are able to make greater contributions. The dearth of resources, the scarcity of skilled workers, and the absence of basic social and economic infrastructure all work against the development of creative businesses in underdeveloped areas. Moreover, India, a developing nation with its own regional economic development disparities to address, seeks a decentralised industrial structure in which small-scale entrepreneurship plays a key role toward the goal of regional parity. It is widely accepted that small-scale companies generate substantial employment opportunities quickly, contribute to a more equitable distribution of national revenue, and enable an efficient resource mobilisation of capital and expertise that could otherwise go to waste.

(7)Need for Entrepreneurship Development:

The term "economic development" often refers to the upward trend in a country's actual per capita income over time. Startups and other forms of entrepreneurship are crucial to any nation's progress. The quantity and quality of entrepreneurs is one of the most crucial factors influencing national economic progress. Because of the crucial and significant role entrepreneurs played in the economic development of developed countries, people in developing and underdeveloped countries are now aware of the importance of entrepreneurship for economic development. This is supported by the economic history of currently advanced countries like the United States, Russia, and Japan. It's common knowledge at this point that a country's potential is limited only by the accessibility of its resources like labour, capital, and technology, and that entrepreneurs are the only ones who can fully tap into those resources. In different economic systems, entrepreneurs play varying roles. It varies from economy to economy because of differences in resources, business climate, and political stability. Economies with more favourable opportunity conditions may benefit more from entrepreneurs' efforts than those with relatively fewer opportunities.

- **Objective of the Study:** The Purpose of this Paper is:
- To explain the role of an entrepreneur in the economic development in India from Pre Independence to Present.
- To explore the relationship between entrepreneurship development with foreign investment, financial development and economic growth for the Period of 1992-93 to 2015-16.

Seven Ways Entrepreneurs Drive Economic Development:

Business owners generate employment opportunities, which in turn attract loyal clientele. Speculations concerning the future of employment have been widely discussed recently. A lot of the time, these discussions is driven by the shared concern that many of us feel about the potential consequences of emerging technology for our own fields of work. People tend to simplify these debates into either how clever computers will do remarkable things to improve our lives or how this or that invention will render human labour obsolete, resulting in a jobless dystopia. Both findings strike me as slightly dubious. It‘s not that these concerns aren’t genuine, but they oversimplify a more nuanced phenomenon. How come innovation and entrepreneurship contribute to a thriving economy? On the surface, the answer seems intuitive: entrepreneurs establish firms and new enterprises create Job, boost market competition and increase productivity. Here in the United States, entrepreneurism is part of our American identity and self-image. It’s non-partisan, though; both side of political spectrum celebrate entrepreneurial small business as a source of innovation and prosperity. Entrepreneurism is considered as a route to upward mobility a way for common people to earn wealth.

Investing in products and services people need:

Why would someone choose to take the risk of starting their own company? Entrepreneurs, in conventional wisdom, launch companies to satisfy consumers' unfulfilled wants and needs. In other words, there is a market for something that does not yet exist or can be obtained in any other way. Economists differentiate between these individuals and those who establish enterprises due to a lack of better employment opportunities by referring to the former as "opportunity" entrepreneurs. Opportunity entrepreneurs, or those who start businesses in response to a gap in the market, play a crucial role in stimulating economic development. They facilitate the distribution of resources that boost economic output in communities. This is not to discount the efforts of so-called "necessity" entrepreneurs who start businesses out of desperation. Boosting the economy is a shared goal for both.

Providing employment opportunities: New businesses need to hire employees. They create jobs and these economic opportunities uplift and support communities through increasing the quality of life and overall standard of living.

Commerce and regional economic integration: Technology has opened up regional and international marketplaces to startups driven by solo entrepreneurs. New companies help boost regional productivity and income when they begin selling their wares to neighbouring regions. Having more money coming in helps the economy grow and improves people's lives. Interdependent economies tend to flourish. Trade between regions, regardless of political considerations, encourages investment in regional transportation and infrastructure, which in turn develops economies. This is more true than ever before as we are now living in a globally integrated economy. Foreign Markets are important even for a developed and massive economy like the United States'.

More than 90% of our GDP expansion may be attributable to exports and imports. Estimates place the contribution of international commerce as well over 90% of our GDP expansion. Innovation: what is it, and how does it help the economy grow? When do business owners show signs of being creative? The number of new goods invented, the share of the workforce that is employed in high-tech fields, and the size of the accessible talent pool are all indicators of innovation according to a commonly accepted definition. Lately, new service offerings, business structures, pricing strategies, and distribution channels have been added to our ever-expanding list of what we consider to be examples of innovation. Although the importance of startups and other young digital companies in creating new jobs has been extensively documented, their contribution to total productivity is less obvious and is rarely acknowledged. Here, I'll explain how innovation might lead to growth in the economy by exploring a few concrete cases.

New technologies promote efficiency: The ability to turn ideas into new products and services that people need is the fount of prosperity for any development country. Economic growth, generally speaking, is driven by new technologies and their creative applications .periods of rapid innovation historically has been accompanied by periods of strong economic growth. The impetus of innovation is the greatest natural resource of all; the human mind. Creating innovative products and solutions requires an educated population and an environment where collaborative work can take place. In addition to being good for business, education increases workforce creativity and quality of life.

Addressing environmental challenges: Innovation is (and will continue to be) crucial when it come to addressing the enormous environmental .challenges we face today: combating climate change, lowering global greenhouse gas emissions, and preserving biodiversity in the environmental. Without power for extended periods of time, Commerce comes to a halt. Without water, we cannot live. Reliable access to these innovations (such as irrigation technology, electricity, and urban infrastructure) increases productivity and enhances economic development.

Innovation impacts socio- economic objectives: Innovative business practices create efficiency and conserve resources. Innovation in agriculture is especially relevant for addressing Socioeconomic challenges (in addition to encouraging economic growth).In the U.S. for instance, we waste billions of dollars annually due to inefficiencies and uncompetitive practices in our healthcare system. Hopefully, new ideas and innovations in the future will address these problems, resulting in further reforms. When this occurs, Americans ‘Overall health and quality of life will benefit, and so will our economy if our wasteful healthcare costs also decrease.

Innovation happens where there is competition: In essence, there is a positive feedback loop among innovation, entrepreneurship, and economic development.

New and growing businesses represent the principal sources of job creation and innovative activity in an economy, two factors that generally result in the rising standards of laving for all.

Methodology of the study:

For measuring entrepreneurship development two proxies production per MSME and investment per MSME have been taken, for financial development stock market capitalization as percentage of GDP and foreign direct investment as percentage of GDP has been taken. The model can be depicted as

$Yt1 = f\,(FDIt, GDPt, MCAPt)$

$Yt2 = f\,(FDIt, GDPt, MCAPt)$

Where Yt1 denotes investment per MSME, Yt2 denotes production per MSME, FDI is foreign direct investment, SMC is stock market capitalization. The econometric models are

$lnYt1 = \beta0 + \beta1\ l\ FDIt + \beta2\ l\ GDPt + \beta\ l\ MCAPt + ut$

$lnYt2 = \beta0 + \beta1\ l\ FDIt + \beta2\ l\ GDPt + \beta\ l\ MCAPt + v\ t$

Where l is logarithmic transformation)

Unit root test: It is essential to look for stationarity of data when dealing with time series regression otherwise it will lead to spurious regression the result will look good with significant t statistic but there would be no significant relation between the variables. In order to check the unit root presence Augmented Dickey–Fuller test (ADF) is used here.

Engle and Granger’s Co integration Test: This concept was first introduced by Granger in 1981; this technique is for testing relationship between two non stationery time series. Two non stationery time series are said to be co integrated if they are non stationary at level ie I (0) but both series are stationary at linear combination i.e at same differentiating level I (n). The linear combination cancels out the stochastic trends of the two time series; this is tested by ADF test. Running the regression on the raw data and testing for spurious regression the value of R2 should be smaller than d (Durbin Watson) value obtained in the regression as a rule of thumb (Gujarati, 2003) or the residuals obtained must be stationary. (11)

Error correction model: This method was first used by Sargan and later popularized by Engle Granger after correcting for disequilibrium. It states that if two variables are co integrated the relationship can be expressed as ECM (Gujarati, 2003)

$\Delta X= \alpha0+\alpha1\Delta Y+\alpha2Ut\text{-}1+\varepsilon t$

Where, X is dependent variable at first differentiation Y is independent variable at first differentiation ut-1 is lagged value of error term obtained from Engle Granger co integration test, εt is the white noise. The α2 is expected to be negative to restore ΔX to equilibrium (Gujarati, 2003)

Data:

Data were obtained from different sources foreign direct investment taken for foreign investment (FDI expressed as a % of GDP) was obtained from UNCTAD, for economic growth GDPPC (gross domestic product per capita)was take from world bank data, stock market capitalization as percentage of GDP was taken as proxy for
financial development. For entrepreneurship measurement two proxies are used (a) average investment per MSME (b) average production per MSME these data were taken from annual report of ministry of MSME. All the values of variables were taken in US dollars at current price.

Results: Statinarity and Integration test: To test for stationarity and integration ADF test was used the result is reported in table 1

Table 1: Stationary test results

Variable	Differencing	t-statistic	P - value	inference
LFDI	Level	-2.728	0.0878	Non-stationary
	First difference	-3.1128	0.0472*	Stationary
LGDP	Level	1.771	0.999	Non-stationary
	First difference	-2.952	0.0589***	Stationary
LMCAP	Level	-1.9868	0.2895	Non-stationary
	First difference	-5.25	0.0006**	Non-Stationary
LINVEST	Level	-1.146	0.0477*	Stationary
	First difference	-3.0655	0.705	Non-Stationary
LPROD	First difference	-4.258	0.0044**	Stationary

The ADF unit root test shows that the entire five variables are carrying unit root at level and are stationary at first difference. lfdi and linvest are significant at 5%, lmcap and lprod are significant at 1% while lgdp is significant at 10%. The results of ADF test shows that the variables are integrated at first order i.e. I (1). This shows that co integration exists among the variables.

Long run equation:

The equation that is formed in this paper is

linvest = β0 + β1 ln FDIt + β2 ln GDPt + β ln MCAPt + ut

lprod = β0 + β1 ln FDIt + β2 ln GDPt + β ln MCAPt + v t

The results obtained from this is

lprod = 5.4416+0.37084 lgdp+ 0.12389 lmcap+0.04426lfdi

(6.87)(3.22) (2.19) (1.00)

(0.00) (0.0053)(0.0436) (0.3319)

R2 0.91 d=1.25

Production per MSME is found to be influenced by economic development, stock market capitalization however foreign direct investment fails to influence entrepreneurship development. If per capita GDP is increased by 10% the average production is also increased by 3.7% significantly, whereas 10% increase in market capitalization per GDP increases production of MSME by 1.2%. The Durbin Watson value d is greater than R2 the long run equation is non spurious as rule of thumb (Gujarati, 2003)

Linvest= 6.984-0.0827lfdi+0.289 lmcap+ 0.034lgdp

(3.218)(-0.682) (1.869)(0.109)

(0.0054) (0.504) (0.08) (0.9145)

R2=0.2816 d=0.647

Investment per MSME is influenced by market capitalization at 10% significance level; however foreign direct investment and economic growth failed to influence investment per MSME. It is found statistically that 10% increase in market leads to 2.8 % increase in investment per MSME. The Durbin Watson value d is greater than R2 the long run equation is non spurious as rule of thumb. (Gujarati, 2003) Both the equation was tested for multicollinearity variance inflation factor (VIF). Variables with VIF value greater than 10 requires further analysis but here VIF were found to be less than 10. So the long run equation was free from multicollinearity

Short run equation:
The short run equations formed in this paper are
Δlinvest = β0 + β1 ΔlnFDIt + β2Δ ln GDPt + β ln ΔMCAPt + ut-1 + ε Δlprod = β0 + β1 ΔlnFDIt + β2 ΔlnGDPt + β ΔlnMCAPt + v t-1 +ε
Where Δ is the lagged value at first differentiation of variables, ut-1 and v t-1 are lagged value of the error term and ε is the white noise. The results obtained from this short term equation are
Δlprod = -0.0697 + 0.0168 ΔlnFDIt + 1.443 ΔlnGDPt +0.04 ΔlnMCAPt + -0.603v t-1
(-1.022) (0.345)(1.56) (0.789) (-2.334)
(0.3238)(0.7349) (0.1388)(0.4431)(0.035)
R2= 0.36 d=1.38
In the short run average production per MSME is not influenced by foreign investments, economic development and market capitalization. The lagged error term have negative coefficient and significant at 5% as desired for the equation.
Δlinvest = -0.234 + 0.0979 ΔlnFDIt + 3.02 Δ ln GDPt + 0.017 ln ΔMCAPt -0.238 ut-1
(-3.06) (1.88) (2.88)(0.29)(-2.306)
(0.0083) (0.081) (0.012) (0.77) (0.036)
R2=0.643 d=1.98
In the short run invest in MSME is influenced by foreign direct investment and GDP; these variables have immediate and positive effect on investment in MSME. The lagged error term is negative and significant at 5% as desired for this equation.

II. Discussion:

India is struggling to provide its population with stable employment and income, thus the government is giving new emphasis to encouraging and supporting entrepreneurship. By industrialising formerly undeveloped regions and serving as a supplier to large businesses, entrepreneurs play a crucial role in the economies of both the developed and developing worlds. For a country like India, where so many people live in impoverished rural areas without access to even the most fundamental services, this is an especially crucial factor in shifting the economy from agriculture to industry. There were 447.73 million operational businesses in 2015–16, employing 1012.59 million people. This accounts for 43% of India's exports but just 17% of GDP, whereas in OECD countries it accounts for 60%-70% of employment and 55% of GDP. Finance Ministry Report (2013) Although conditions have greatly improved, the Indian business climate is still not ideal for new ventures. Economists claim that factors like increased foreign investment, economic growth, and improved financial markets have a multiplier effect on the rate at which new businesses can be started. It was discovered that financial development has an effect on the average investment in a micro, small, or medium-sized enterprise (MSME) for two reasons. The first is that every entrepreneur wants to grow their business, so they convert to a public limited company and raise capital from the market, which lowers the owner's risk. Second is that since, MSME contributes to the input of large industries their growth stimulate growth of the MSMEs. Economic and financial growth have a beneficial effect on investment in the short term.

When a favourable financial and economic climate is established, it encourages entrepreneurial activity. Progress in the area of finance has a beneficial effect on output per MSME in the long run. When the economy improves, consumers have more disposable income to spend, creating opportunities for startups. Companies that sell to the general public and to large manufacturers stand to gain from this trend, but they will also be compelled to increase output. Financial development does in the similar way producing new outlet for investment. None of the independent variables—including financial growth, economic expansion, and foreign investment—have any effect on M&S enterprise productivity in the near run.

One possible explanation is that the impact is delayed before small businesses see it. To ensure steady income and employment opportunities for its population, India places a strong emphasis on encouraging and supporting entrepreneurial endeavours. Unlike other growing economies like China, Morocco, etc., the nation's efforts to promote it, through programmes like PMGSY and organisations like SIDBI and IDBI, have not been successful. Policies need to be created that encourage economic and financial investment, as well as foreign direct investment, and create a business climate that is friendly to entrepreneurs.

III. Conclusion:

Production and investment-based indicators of entrepreneurship growth are examined, together with the impact of economic and financial growth and foreign direct investment. We are using a two-step Engle-Granger procedure because our sample size is modest and there are many factors to be estimated. Since most business owners wait for a long-term payoff before venturing out on their own, the results suggest that economic and financial development have a favourable effect on production in the long run, but have no effect on production per MSME in the near run. While foreign direct investment and GDP are positive influences on investment per MSME in the short run, financial development, as measured by stock market capitalization as a % of GDP, is positive in the long run. The risk of starting a business can be minimised by creating an atmosphere that is friendly to entrepreneurs. We've made a mockery of the word "innovation" due to our fixation on it. In order to foster creativity and new ideas, it's crucial to provide people with opportunities to get involved. Startups can't bring fresh ideas to life unless their founders have the resources to get an education and a level playing field. To this end, it is the responsibility of government leaders and public policy to foster an environment conducive to the launch and growth of new firms. Inadequate distribution of entrepreneurial activity across demographic, economic, and geographic lines retards economic development. Business owners can wield tremendous influence in the appropriate settings. They contribute to the economic growth of their respective sectors and to the betterment of society as a whole by aiding in the development of novel approaches to addressing pressing issues.

Second, the Indian government's recognition of the importance of entrepreneurship to the country's economic growth is shown in its decision to invest in the creation of specialised institutes like the Entrepreneurship Development Institute during the past few decades. In a more methodical and ordered fashion, the following describes the crucial part that entrepreneurship plays in the growth and development of an economy:

Capital formation is aided by entrepreneurial activity because unused savings are put to use, and new jobs are created rapidly and on a big scale. As a result, it contributes to solving the root of all societal and economic ills: the country's high unemployment rate.

Among its many benefits is that it encourages a more equitable growth pattern across different areas.

• It aids in decentralising economic control.

It supports effective resource mobilisation of money and skill that could otherwise remain unused and idle; it promotes equitable transfer of wealth, income, and even political power in the interest of the country.

The country's economic growth is boosted by the resulting backward and forward linkinges, which are induced by this factor.

• Last but not least, it boosts export trade, which is crucial to a country's economic growth.

Lastly, business owners in India need to come up with more new ideas if the country is to progress. It's common knowledge that entrepreneurs usher in a wave of novel concepts and approaches. We also have a growing number of researchers and developers because of our country's improved literacy rate. Entrepreneurs, with their diverse array of ideas, can therefore foster tremendous social transformation. Entrepreneurs' fresh perspectives on existing problems, whether technological or societal in nature, can lead to improved goods and services that ultimately benefit the entire country. And the thing about innovation is that it has a ripple effect in which one innovation leads to another, and each innovation makes some improvements to society. In conclusion, the role of entrepreneurs is vital to the long-term growth of our country since they create jobs, increase wealth, and encourage innovation. Thus, it can be shown that business creation is a driving force behind economic growth. Overall, "an economy is the effect for which entrepreneurship is the cause" is the best way to characterise the role of entrepreneurship in economic development of a country.

References:

[1]. Sarkar S (2014) International Journal of Finance and Policy Analysis. London: Universal Publishers.

[2]. Smallbone, D., & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, *19* (4), pp 63-77.

[3]. Nude, W. (2008). *Entrepreneurship in economic development* (No. 2008/20). Research Paper, UNU-WIDER, United Nations University (UNU).

[4]. Agosin, M. R., & Machado, R. (2005). Foreign investment in developing countries: does it crowd in domestic investment?.*Oxford Development Studies*,*33*(2), pp 149-162.

[5]. Ministry of Finance. (2013). The inter-ministerial committee for boosting exports from the MSME sector. Retrieved from http://dgft.gov. in/exim/2000/imc- EXPORT-sme.pdf on 10 July 2014.

[6]. Alfaro, L., Chanda, A., Kalemli-Ozcan, S., &Sayek, S. (2004). FDI and economic growth: the role of local financial markets. *Journal of international economics*, *64*(1), pp 89-112.

[7]. Liu, X., Burbidge, P., & Sinclair, P. J. (2002). Relationships between economic growth, foreign direct investment and trade: evidence from China. *Applied Economics*, *34*(11), pp 1433-1440.

[8]. Carland, J., & Carland, J. (2004). Economic development: Changing the policy to support entrepreneurship. *Academy of Entrepreneurship Journal*, *10*(2), pp 104-114.

[9]. Gujarati, Damodar. 2003. Basic Econometrics. New York: McGraw Hill

[10]. King, R. G., & Levine, R. (1993). Finance, entrepreneurship and growth. *Journal of monetary Economics*, *32*(3), pp 513-542.

[11]. Leff, N. H. (1978). Industrial organization and entrepreneurship in the developing countries: The economic groups. *Economic development and cultural change*, pp 661-675.