



# Entrepreneurship in India

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Its Current and Future Impact on Competitiveness

Amit Kapoor — PART 1 of 8

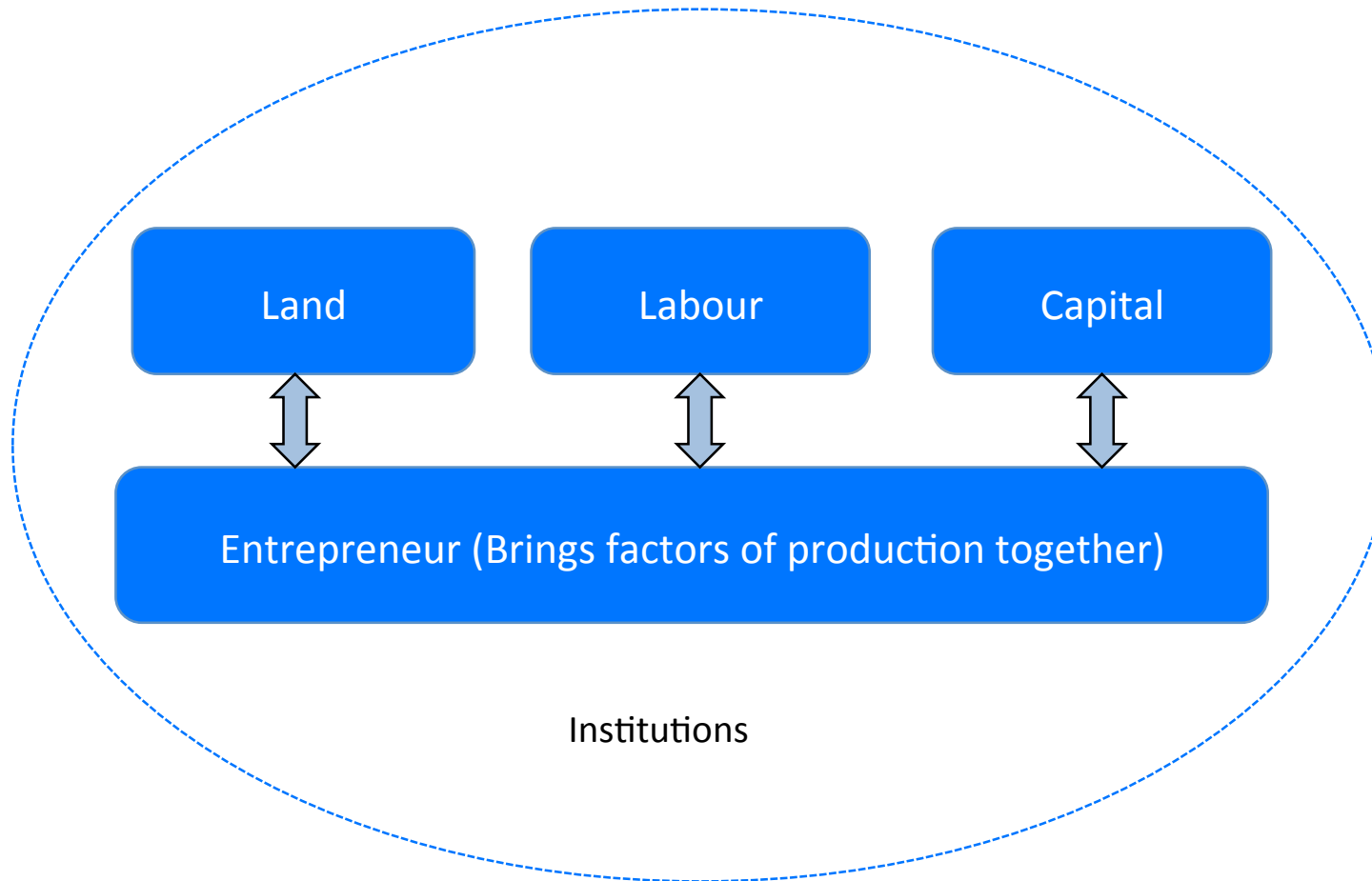


*enhancing  
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COMPETITIVENESS

## UNDERSTANDING ENTREPRENEURSHIP

- An entrepreneur is somebody who brings together land, labour and capital to create value in unique ways.





## THEORETICAL UNDERPINNINGS

**Richard Cantillon** (1680–1734) introduced the French term entrepreneur and the English word undertaker to describe the people who assumed the risk of producing when the demand was not known. He discussed the competition among entrepreneurs and recognised that some were likely to go bankrupt.

**Jean-Baptiste Say** (1767–1832) described three types of producers: the scientists, the entrepreneurs and the workers. The scientists investigate the properties of the resource, the entrepreneurs apply the scientists' discovery to a useful purpose and the workers actually make the product. And any successful economy needs all three.

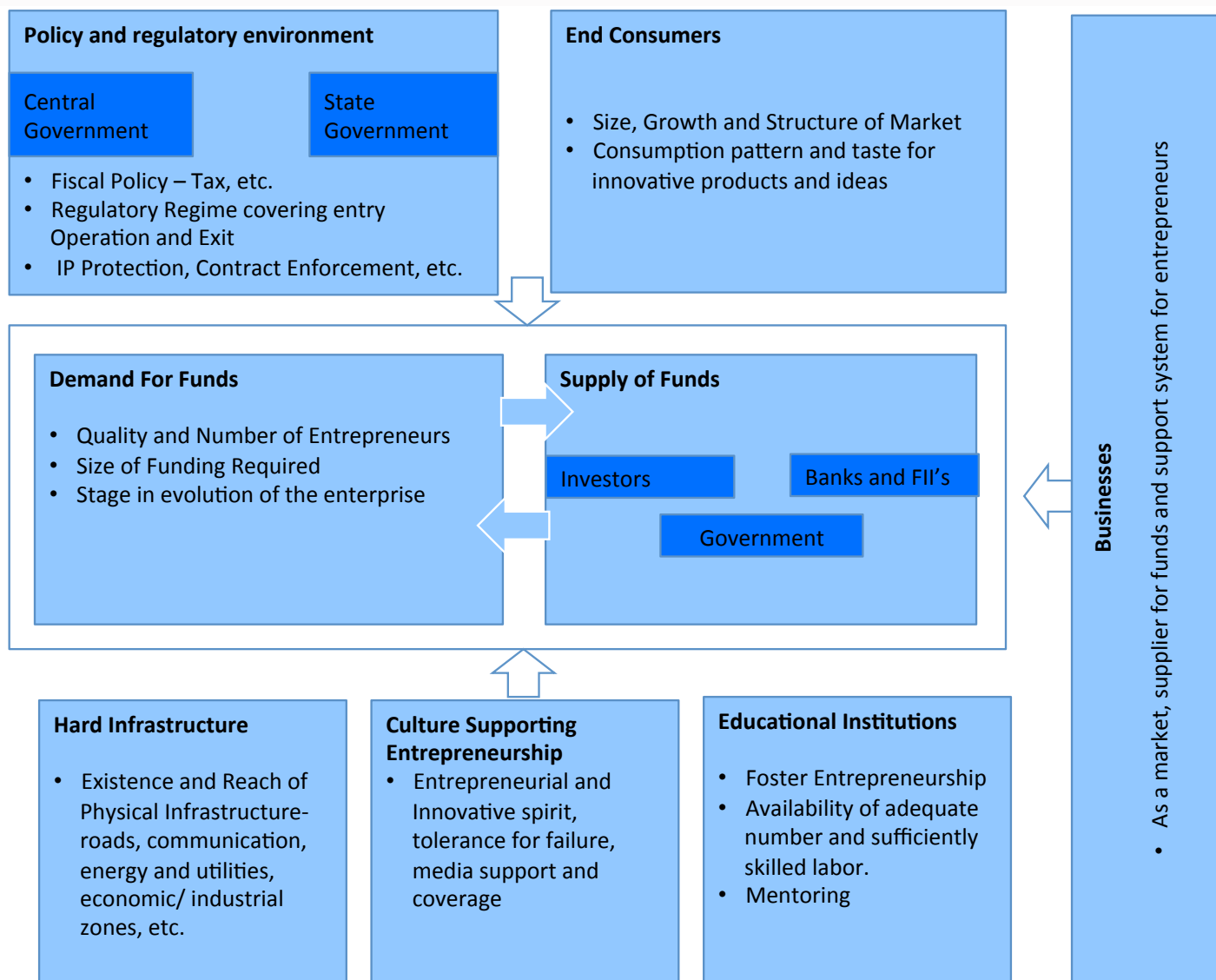
**Joseph A. Schumpeter** (1883–1950) saw that an entrepreneur could temporarily earn a profit greater than the one in perfect competition. He believed that economic growth is driven by innovations brought to the marketplace by entrepreneurs seeking those higher profits. As these new innovations enter the economy, they render old products obsolete, causing them to disappear in a process called creative destruction.

**William J. Baumol** (1922– ) found evidence that entrepreneurs are present in every society but that different societies reward their efforts differently. So the rules and customs of a given culture will determine whether entrepreneurs are productive or destructive. In a market economy, successful production is rewarded with profit, leading to greater innovation and development.

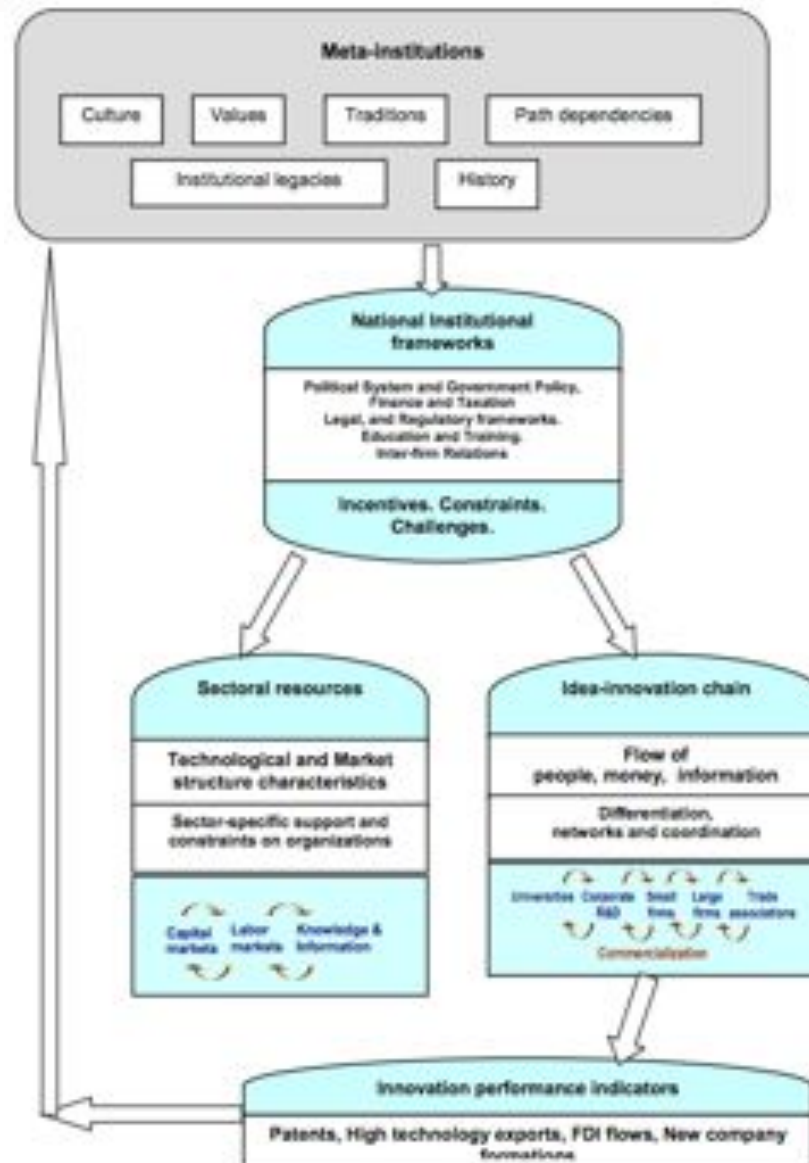
**Israel Kirzner** (1930– ) said that entrepreneurs discover markets where a profit potential exists because of poor allocation of resources and shortages or surpluses in the market. Entrepreneurs move into that market and earn higher profits until competition eliminates the opportunity for those higher profits.

## WHAT AN ENTREPRENEURIAL ECOSYSTEM SHOULD HAVE?

An entrepreneurial ecosystem is depicted here. As one can notice it goes much beyond the financing element which is a critical element but not the sole element for success. Other elements include Culture, Infrastructure, Educational Institution, Policy and Regulatory Environment, End Consumers as well as Incumbent Businesses.



## CONCEPTUAL MODEL LINKING INSTITUTIONS, INNOVATION SYSTEMS, ENTREPRENEURSHIP AND COMPETITIVENESS



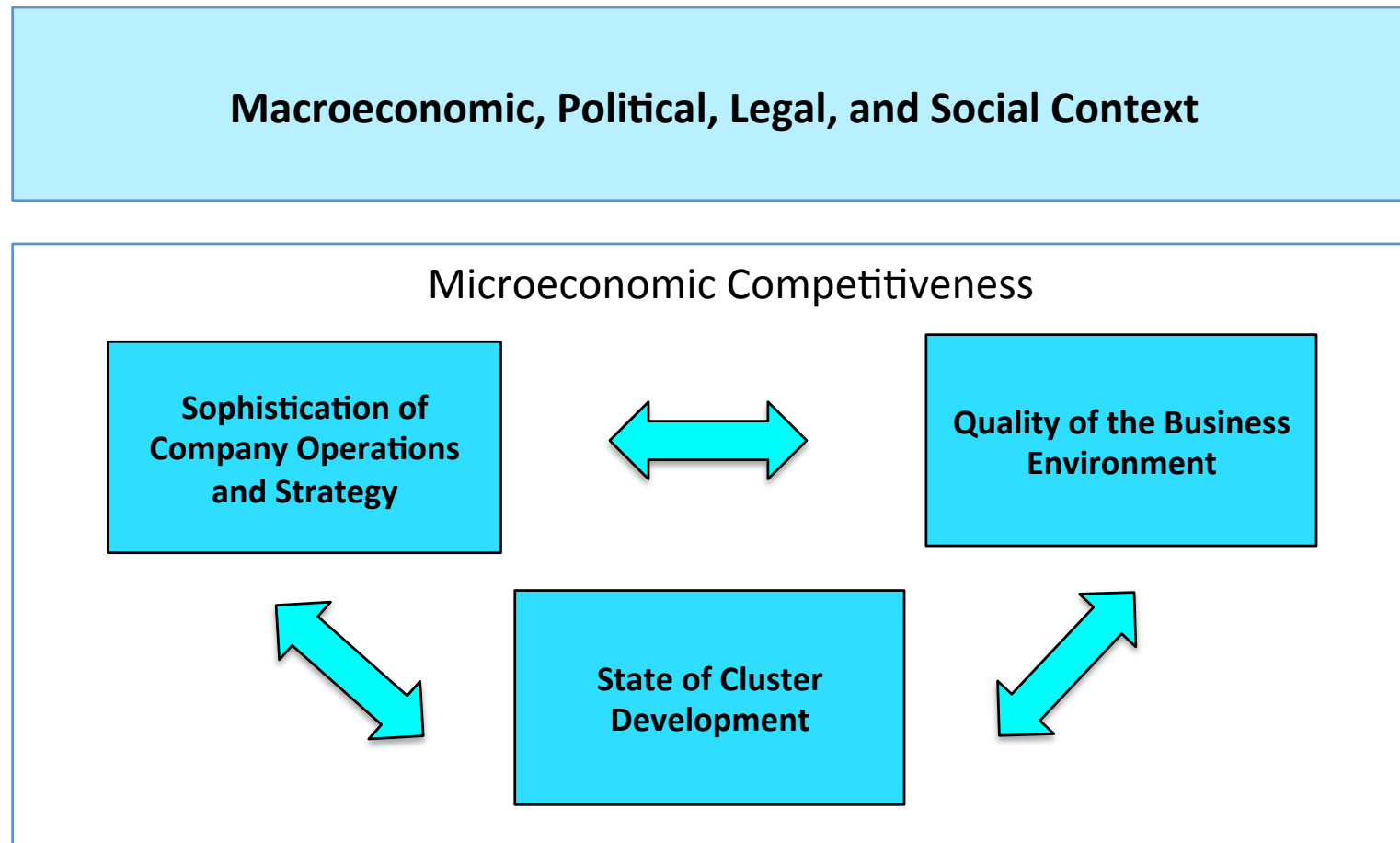
## WHAT IS COMPETITIVENESS ?

- Competitiveness is determined by the **productivity** (value per unit of input) with which a nation uses its human, capital, and natural resources.
  - Productivity sets a the standard of living (wages, returns on capital, returns on natural resources) that a nation can sustain
  - Productivity depends on the **prices** that a nation's products and services command (e.g. uniqueness, quality), not just on **efficiency**
  - It is not **what** industries a nation competes in that matters for prosperity, but **how** it competes in those industries
  - Productivity requires a **combination of domestic and foreign firms** operating in the nation
  - The productivity of “**local**” or **domestic** industries is fundamental to competitiveness, not just that of traded industries
  - Devaluation does **not** make a country more competitive



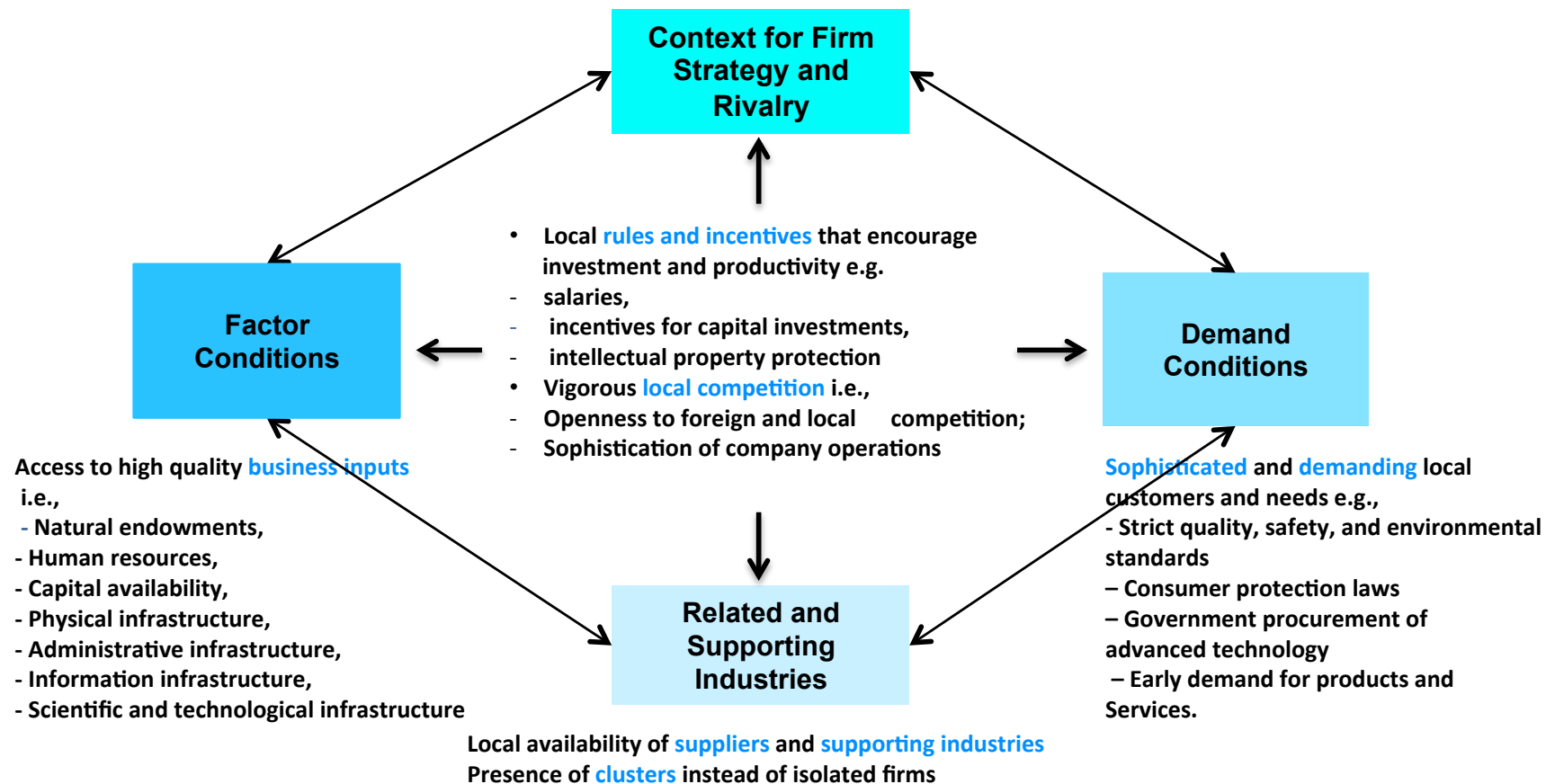
- Only **business** can create wealth
- Nations compete in offering the **most productive environment** for business
- The public and private sectors play **different but interrelated roles** in creating a productive economy

## UNDERSTANDING MICROECONOMIC COMPETITIVENESS



- A sound context creates the potential for competitiveness, but is **not sufficient**
- Competitiveness ultimately depends on improving the **microeconomic capability** of the economy and the **sophistication of local competition**

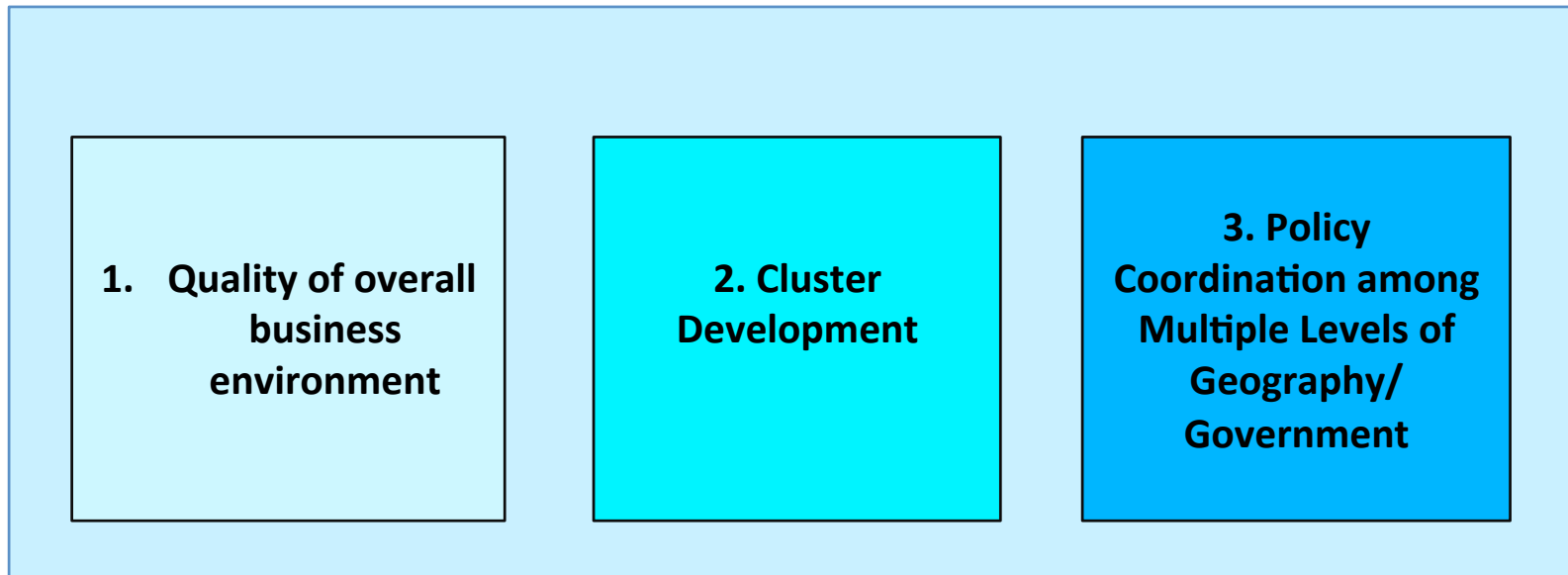
## DIAMOND MODEL OF MICROECONOMIC COMPETITIVENESS



- Many things matter for **competitiveness**
- Successful economic development is a process of improving the business environment to enable **increasingly sophisticated ways of competing**



## UNDERSTANDING THE DRIVERS OF PRODUCTIVITY



## INFLUENCES ON COMPETITIVENESS

