

Impact of Globalization on Entrepreneurship Development in Developing Economies

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Abstract- *The article examines the globalization phenomenon and its impact on entrepreneurship development in developing economies. A focus on the implications of globalization for entrepreneurship development in developing countries is imperative, in view of the role of entrepreneurship as the engine of economic growth, and also, considering the apparent controversy about the role of globalization in national economic growth and development which is polarized between a positive perspective and a negative perspective. It presents a critical analysis and appraisal of the impact of globalization on entrepreneurship. The analysis is founded on a blend of scattered observations and some qualified reasoning based on information from literature on indigenous entrepreneurship and economic/ industrial activities, since the past one decade when the gospel of globalization began; and the relationship between globalization and entrepreneurship. The analysis reveals that globalization has both positive and negative implications for entrepreneurship development, however it is noted that for developing economies, the negative impact far outweighs the positive impact. It is therefore recommended that developing countries must make conscious effort to engage economic policies and measures to manage the influence of globalization on entrepreneurship development, in a way that reduces the negative impact and promotes the positive impact.*

Keywords- Globalization; Entrepreneurship development; National economic growth and development

I. INTRODUCTION

Globalization as a process of social change can be understood as the linking and interconnecting of the domestic/national/regional economy with that of global/international economy. Related with the term globalization are two terms liberalisation and privatisation. Liberalisation on one hand is making the external economic sector more liberal so to attract foreign direct investments and foreign market players, privatisation basically means to 'trim down' the economic entity so as to earn more profit and then there is a shift from public ownership to private ownership. The performance of any economic activity in today's era of globalization is completely different from what it used to be.

Nowadays, the industrialist, factory owner, worker and entrepreneurs have constantly updating their production and marketing technique along with facing new challenges. These emerging issues in form of challenges have deeply affected the way business is being done in today's times. Subsequently, both the entrepreneur and entrepreneurship are undergoing changes both in terms of conceptual understanding and empirical practice.

At inception, globalization was restricted to large corporations but this has changed in the last few years. It has now permeated all forms and sizes of businesses so that it is not just large corporations that have global focus but also, smaller firms are increasingly going global. As Pearce and Robinson (2003) put it, even relatively small service firms that possess a distinct competitive advantage now capitalize on large overseas operations. While it appears that the globalization phenomenon has offered enormous benefits to economic players and has facilitated the growth of many national economies, it is still controversial among analysts as to the exact ways in which nations and businesses have benefited from it. However, while the controversy about the positive impact of globalization exists on one hand, there is also the theory of negative impact of globalization on the other hand, which to many overrides the positive impact. One area of focus where this debate attracts great interest for many countries and people is "entrepreneurship development". To the positive impact school of thought, it is argued that globalization is a force for economic and entrepreneurial freedom, economic growth and prosperity. On the contrary, the negative impact theorists view globalization as a force for the suppression of the creative potentials (entrepreneurial creativity) of a people, socioeconomic dictatorship and dependence, and economic exploitation of less privileged countries, particularly of the developing world.

II. CONCEPT OF ENTREPRENEURSHIP DEVELOPMENT

Hisrich and Peters (2002) defined entrepreneurship as the process of creating something new and assuming the risks or rewards. While in the view of Kuratko and Hodgetts (1998) entrepreneurship is the process of organizing, managing, and

assuming the risks of a business. Entrepreneurship is also defined as the process of organizing and co-ordinating the factors of production and taking decisions which are necessary to establish a business enterprise and keep it in line with the Pattern of demand and market values (Meredith et al., 1991). But Kuratko and Hodgetts (1998), pointed out that entrepreneurship is more than the mere creation of businesses. "It involves the characteristics of seeking opportunities, taking risk beyond security, and having the tenacity to push an idea through to reality". In line with Kuratko and Hodgetts (1998), Akpor-Robaro (2004) defined entrepreneurship as the capacity or ability to identify opportunities and from there originate a new business idea and organize resources to implement it; or to organize resources in a new way to implement an existing business idea. Stokes (1995) linked entrepreneurship with small business organizations and defined it as the process of creating new organizations and more specifically, small business organizations.

Entrepreneurship is therefore an integrated concept that permeates business activities at all levels. It is a phenomenon that has revolutionized the way business is conducted at every level and in every country (Kuratko & Hodgetts, 1998). Entrepreneurship plays an important role in both individual and national lives. For the individual, entrepreneurship offers the opportunity for employment (self-employment), income, independence (self-dependence or reliance) and self actualization. For a nation, entrepreneurship engenders economic growth, productivity, creation of new technologies and products, market place change, conservation of foreign exchange, development and effective utilization of local resources; propagation of interdependence among business organizations; and re-distribution of wealth leading to economic egalitarianism among members of society. It is also important to point that entrepreneurship provides a method for bridging the gap between science and the market place. It helps to convert invention to productive and profitable venture.

However, the concept of entrepreneurship development has two aspects or levels. The first level deals with development of entrepreneurial personality - skills, motivation, values and behaviour of an individual that will enable him/her perform the entrepreneurial role or task. This aspect relates to the individual personality formation and is often described more precisely as entrepreneurial development. It requires mentoring, behaviour modification and conditioning, learning, and value reorientation. The second aspect deals with the pulling together of resources to form a productive enterprise and operating the enterprise successfully as a going concern. In other words, it is the creation and operation of business venture. It involves the

actual investment of financial resources, time and effort, and carrying out managerial functions to ensure the success of the enterprise i.e. to ensure that its profit making objective is realized. In this perspective, entrepreneurship development is concerned with commitment of resources to business venture.

III. ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

The industrial health of society depends on the level of entrepreneurship existing in it. Entrepreneurship is basically concerned with creating wealth through production as goods and services. This results in a process of upward change whereby the real per capita income of a country overtime or in other words economic development takes place. Thus entrepreneurial development is the key to economic development. In fact it is one of the most critical inputs in the economic development of a region. It speeds up the process of activating factors of production leading to a higher rate of economic growth, dispersal of economic activities and development of backward regions. If a region is unable to throw up a sufficient number of entrepreneurs then alien entrepreneurs usually step in to provide goods and services needed by the people. Entrepreneurship begets and also injects entrepreneurship by starting a chain reaction when entrepreneur continuously tries to improve the quality of existing goods and services and add new ones. While most countries place most entrepreneurial firms in the category of small and medium-sized enterprises (SMEs), India refers to such firms as „Micro, Small and Medium Enterprises. (MSME). After a longstanding demand from various entrepreneurs, small industry associations and related stakeholders for a single comprehensive legislation, the "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006" was enacted. This is the first Act that provides for a precise definition of these enterprises besides paving way for a statutory National Board exclusively for them. This act also helps implement promotion schemes and addresses the development and enhancement of the firms competitiveness. With systematic economic liberalization being implemented, India is a potential candidate to reap the benefits of globalization.

The programs and schemes undertaken by the federal ministry promote small scale industries by ensuring the following steps:

- Adequate credit from financial institutions/banks
- Funds for technology upgrading and modernization
- Integrated infrastructural facilities
- Modern testing facilities and quality certification laboratories

- Access to modern management practices, entrepreneurship development and skill upgrading through appropriate training facilities .
- Assistance for better access to domestic and export markets
- Cluster-wide measures to promote capacity-building and empowerment of the units

IV. ENTREPRENEURSHIP PROMOTIONAL ACTIVITIES IN INDIA

India's approach to the promotion of entrepreneurial firms is unique, superfluous, and to some extent, overwhelming. The country has a dedicated ministry for small scale industries at the federal level supported by two agencies; namely, the Small Industry Development Organization (SIDO) and the National Small Industries Corporation Ltd (NSIC). Its role is to suggest policies and programs to address the wide range of issues affecting the productive potential of the large segment of the unorganized micro and small productive units. The role of the Ministry of Small Scale Industries is thus to mainly assist the states in their efforts to promote growth and development of the small scale sector, enhance its competitiveness in an increasingly market-led economy and generating additional employment opportunities. Small and medium enterprises (SMEs) contribute 7 percent to gross domestic product (GDP), constitute 34 percent of national exports, and account for 40 percent in the manufacturing sector. These units play an important role in their direct employment of more than 30 million people. These units in India are usually referred to as small-scale industries (SSI) and are always considered a major segment in the nation priority sector together with agriculture for financial credit from all banking institutions. Presently, the dynamics of business is undergoing a major transformation in the wake of globalization. The liberalization efforts pursued by India have opened new doors of opportunity and, at the same time, have also posed a new set of challenges in a knowledge-based economy. Therefore, a knowledge assessment must include not only economic parameters, but also other important aspects, such as education, health, emancipation of women, and an improvement in overall standard of living. .

V. OPPORTUNITIES AND CHALLENGES

Emerging markets and emerging technologies present both challenges and opportunities for businesses and individual entrepreneurs in focusing on competitive advantages for their firms. Because subsistence economies, and some regions of emerging economies, lack a strong infrastructure for supporting entrepreneurial activity, some have proposed external aid and models of foreign investment,

rather than growing entrepreneurial capabilities, as a way to jump-start these economies. Proponents of this approach argue that knowledge spillovers from foreign firms that expose entrepreneurs to new technologies, train employees that eventually undertake entrepreneurial activities, and provide the opportunity for locals to form alliance partnerships benefit local firms. Foreign competitors can pose strong competition for labour, raw materials, and customers. Other criticism of globalization has focused on the negative environmental impacts resulting from increased economic activity in developing and emerging economies that have few or poorly enforced environmental controls. According to William Frederick, there is a persistent tension between core social values of economizing and ecologizing. The impulses towards consumption, growth, acquisition, and expansion are seen as enemies of resource conservation, maintenance of reserves, and preserving a way of life. Polluted air, soil erosion, acid rain, and chemical spills are just some of the negative consequences of unbridled growth without regard to adverse impact by the government or companies.

Some critics are concerned with cultural impacts from the loss of indigenous culture from economic development and entrepreneurial activity. Indigenous populations have organized grassroots resistances to policies and development that adversely affect their communities and culture. Most entrepreneurship researcher have adopted the stance that entrepreneurship is a positive force because of its impact on job growth, creation of new products and services, provision of self control to the individual, and fostering greater efficiency in meeting people's needs and wants. In an increasingly globalized economy, international economic institutions such as the World Bank and the World Trade Organization can exert a growing influence on entrepreneurs and entrepreneurial opportunities.

While some World Bank aid is devoted to promoting entrepreneurship in developing countries, most of the activities of the World Bank and other international organizations focused on government-to-government negotiations, national economic policies, and transfers of aid from rich to poor countries (GEM Executive Report, 2007). These traditional forms of economic development have come under increasing criticism. William Easterly (2006) argued that there is little evidence of benefit from the more than \$2.3 trillion given in foreign aid in the past five years. However, the World Bank and other institutions have the potential to stimulate economic growth directly by promoting entrepreneurship through building up local market institutions, infrastructure, and financing.

In developing economies, micro-enterprises are fast becoming the major source of job creation and employment. For example in Latin America, the micro-enterprise sector employs more than half of all workers and has experienced remarkable growth in the last decade. However, due to lack of training and adequate support, poverty continues to be an issue in the sector. Among the recommendations for poverty reduction, policies and activities should aim to increase production and sales of firms in the micro-enterprise sector through improvement of skills. In general, to the extent that foreign aid can promote entrepreneurship in developing countries, new opportunities for entrepreneurs elsewhere in the world will also appear. Increased entrepreneurial activity worldwide increases the opportunities to sell goods and services, source raw materials, and provide capital.

VI. CONCLUSION

Entrepreneurship in general and sophisticated businesses, such as software, biotechnology, and advertising, in particular, has registered significant progress. The country should focus on the creation of congenial environment for success and ensure that entrepreneurs have access to skills, capital and opportunities for networking and exchange to assist its new class of entrepreneurs. Despite its reform experience being very young, “India has made its mark in the global entrepreneurial scene. Indian citizen made their name known as world class entrepreneurs”. New opportunities that arise within the country every day create the need for jobs and also an insatiable appetite for new entrepreneurial talent. The priority must be to unite the diverse units of the SMEs under an organized structure and integrate their operations into that of major global firms. The availability of three national-level Entrepreneurship Development Institutes engaged in skill development is a good step to keep the innovative spirit alive and modern. The institutional response may appear overwhelming and superfluous, but this is the best that the government can and must do until the capital and money markets grow sufficiently to address funding needs of the SMEs. The future prosperity of any economy depends to a considerable extent on its success in promoting entrepreneurship, innovation and the effective and prompt absorption of technological advances developed abroad. In all of these processes, small firms and in particular, those recently established, play a critical role in the development and growth of an economy.

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