

How entrepreneurs impact an economy

[Business](#), [Entrepreneurship](#)



Introduction As economies continue to integrate due to globalisation and formally closed economies like India and China march toward total liberalisation, entrepreneurship is on the increase. A close analysis of developed and industrialised economies indicates a common denominator that stands out amongst all of them, which is the important role played by entrepreneurship and entrepreneurs in such economies.

This phenomenon has proved to us that if an economy is to develop fully, entrepreneurship should be allowed to flourish. Therefore it is the objective of this paper to critically analyse the impact of entrepreneurs in any given economy. In this paper the writer will identify and discuss the many benefits afforded to an economy through entrepreneurs and entrepreneurship and the disadvantages of the same and draw conclusions on the overall impact of the entrepreneurs. Innovation

Individuals often resort to entrepreneurship for one of the following reasons, because they find a market niche and have the solution to profit from such niche, because they have been unable to find suitable employment or a suitable means of income and therefore have resorted to using their creativity to generate an income for themselves, or because they have the technological know-how and the financial resources (or able to source all of the above) necessary to generate income by satisfying a need in the marketplace.

Irrespective of which of the above led an individual to become an entrepreneur it is clear that innovation and creativity is the driving factor and therefore it can be stated that the biggest impact of entrepreneurs to an economy is the innovative contribution that they make. Job Creation As

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stated in the previous section one of the main reasons that individuals tend to become entrepreneurs is because they are unable to find suitable jobs.

As a result, by being enterprising, creative and finding a market niche, not only are they able to generate an income for themselves but also to employ other individuals in their business operations. Therefore one of the most positive impacts that entrepreneurs make on an economy is job creation and the reduction of unemployment levels within that economy. In developed countries we see that almost 40 – 50% of the workforce are employed in small and medium scale business enterprises that were started up by very enterprising individuals.

Likewise in countries like India we see that millions of women have been able to pull their families out of poverty through self employment and entrepreneurship that has been made possible by different Non Governmental Organisations and due to the availability of such resources through microfinance etc. Africa is another good example of small scale entrepreneurs helping to reduce poverty and help many avoid destitution. Therefore based on everything that has been stated above it is apparent that entrepreneurs can cause a great degree of impact on an economy through job creation and income generation.

Increased Competition Another positive impact of entrepreneurship on an economy is the increasing level of competition in that economy as new entrepreneurs join the fray in existing domestic markets. While one may venture to say that this will only lead to market saturation, the upside of such a phenomenon is that it causes all the players in the market to re-

evaluate their operational capabilities, increase value addition, lower costs and become more efficient.

Thus it can be stated that competition reduces likelihood of monopolies and oligopolies in the marketplace and is beneficial to the customer and the economy as a whole. **Increased Productivity** One of the advantages of increased competition in an economy is that individuals and firms continue to source methods that can better improve their operations, use resources more efficiently and most importantly reduce costs while adding value. All this often results in an increase in productivity in an economy and a increase in the gross domestic product (GDP), which is indeed a benefit for the economy.

While opponents tend to state that when productivity increases the unemployment can often increase, thus reducing the positive impacts, it is the opinion of the writer that increased productivity which can then lead to increased unemployment will then cause more individuals to be creative, find niche markets, become entrepreneurs and begin generating more employment opportunities, thus re-inventing the wheel and driving the economy forward.

New Markets As stated in the previous section increased competition in the marketplace can cause saturation and as a result many entrepreneurs maybe driven to seek new markets for their products and services or adapt market penetration tactics.

Either way such a phenomena of increased competition, which ultimately causes individuals to look for new markets can be considered as a positive

impact on the economy and therefore entrepreneurs can be considered to play a very important role in the economy. As integration of economies continues due to globalisation entrepreneurs often tend to look for markets that are outside of their domestic sphere thus generating foreign revenue and increasing the prosperity of the economy as a whole.

While this maybe a very simplistic explanation of the impact that entrepreneurs make on an economy, it is also safe to say that the employment generation, increased competition, market expansion, market penetration and sourcing new markets all result in income generation that ultimately help an economy to become more prosperous, draw millions out of poverty and generate funds for social welfare activities that ultimately uplift the living standards of its citizenry.

Negative Impacts of Entrepreneurs The single largest negative impact of entrepreneurs on an economy is the plundering of resources, which can have a disastrous affect on the environment. While such negative impacts are mitigated to some extent in developed economies due to the enforcement of environmental protection standards and regulations, this is not the case in developing economies.

Further entrepreneurship requires a certain degree of business knowledge and know how, without which entrepreneurial ventures can often fail, which can also cause many financial hardship that in extreme cases can even lead to destitution. **Social Entrepreneurship** Today we see the realm of social entrepreneurship growing exponentially which is a very positive sign and has helped to draw millions out of poverty, decrease unemployment, decrease

the number of people dependent on social welfare and all in all uplift the living standards and quality of life of millions.

Further social entrepreneurship initiatives are also often seen as ‘green initiatives’ that take into consideration the impact on the natural environment and therefore strives to keep this at a minimum, thus increasing awareness about such issues, avoiding plundering of natural resources and conserving the environment wherever possible. Therefore it can be stated that the negative impacts of entrepreneurs on an economy can be mitigated to some extent through social entrepreneurship. Conclusion

Based on everything that has been discussed above it is apparent that the positive impacts of entrepreneurs on an economy, far outweigh the negative impacts. Job creation, reduction in unemployment levels, increased competition, opening new markets, increasing productivity, foreign income generation and poverty alleviation are some of the positive impacts that entrepreneurs have on an economy. However this is not to say that there are no negative impacts such as the wastage and plundering of resources, yet taken as a whole it is apparent that the entrepreneurs positively impact an economy.