

Macroeconomic Determinants and Structural Transformation: A Critical Analysis of Entrepreneurship Development in the Indian Economy

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To Cite this Article

Konchem (2025). Macroeconomic Determinants and Structural Transformation: A Critical Analysis of Entrepreneurship Development in the Indian Economy. *International Journal of Applied Economics and Econometrics*, 2: 1, pp. 111-121.

Abstract: This article conducts a critical analysis of the interrelationship between macroeconomic determinants and structural transformation within the framework of entrepreneurship development in the Indian economy. Since the initiation of economic reforms in 1991, India has experienced significant economic transformations, evolving into a globally integrated market and establishing itself as the fifth-largest economy by 2024. The study elucidates the correlation between the notable increase in Gross Domestic Product (GDP) and the advancement of key sectors, particularly technology, services, and manufacturing, thereby indicating a transition toward an innovation-driven entrepreneurial paradigm. This transformation underscores the necessity of cultivating a robust entrepreneurial ecosystem that promotes creativity and responsiveness to market changes. By analyzing established theoretical frameworks, including the Lewis model of structural transformation, Schumpeterian creative destruction, and the Global Entrepreneurship Monitor (GEM), this article highlights the crucial roles of both opportunity-driven and necessity-driven entrepreneurship in fostering macroeconomic stability and sustainable growth. The study ultimately advocates for comprehensive policy measures that bolster entrepreneurship as a pivotal driver of economic development in India.

Keywords: Entrepreneurship, Indian economy, Innovation-led growth, GDP, Development.

Introduction

The contemporary Indian economic landscape serves as a comprehensive case study of the intricate interplay between grassroots entrepreneurial initiatives

and significant macroeconomic structural transformations. Since the landmark liberalization reforms launched in 1991, India has embarked on a remarkable journey, transitioning from a heavily centralized, protectionist economic framework to a vibrant, globally integrated economy, a testament to its burgeoning global influence and expanding economic capabilities across various sectors. This substantial transformation is prominently illustrated by the impressive growth trajectory of the Gross Domestic Product (GDP), which witnessed a dramatic rise from a modest USD 270 billion in 1991 to USD 3.91 trillion by 2024 (World Bank, 2024). This striking increase in GDP not only signifies heightened economic activity but also underscores the diversification and sophistication of critical sectors including technology, services, and manufacturing. These sectors are collectively driving India's progress, indicating a shift towards more innovative and value-added economic activities. As India enters a new phase of economic expansion, projected to continue through the mid-2020s, there is a significant shift away from traditional models of capital-intensive industrialization. Instead, the nation is increasingly adopting an innovation-driven entrepreneurial model that is characterized by creativity, adaptability, and a keen responsiveness to the evolving demands of both domestic and international markets. This transition aligns with India's aspirations to achieve ambitious economic targets, including the goal of becoming a USD 5 trillion economy by 2027 and pursuing the visionary long-term initiative "Viksit Bharat @ 2047" (PIB, 2024). The micro sector, comprising about 630.52 lakh enterprises, represents over 99% of the total Micro, Small, and Medium Enterprises (MSMEs). The small sector includes approximately 3.31 lakh enterprises, while the medium sector contains around 0.05 lakh, accounting for estimated shares of 0.52% and 0.01%, respectively (MSME, 2024). In this context, entrepreneurship has fundamentally evolved from being a supplementary source of employment to emerging as a primary engine of macroeconomic stability. It facilitates resource mobilization and drives structural changes within the economy.

Methodology

The research based on the secondary sources of Data is sourced from authoritative references, including governmental reports, peer-reviewed academic journals, the Global Entrepreneurship Monitor (GEM) database, internet sources and books. The methodology incorporates a comparative analysis of key macroeconomic indicators,

such as GDP growth rates, employment statistics and other economic indicators to study the entrepreneurial ecosystem within India.

Theoretical Foundations of Entrepreneurship-Led Economic Development

At a macroeconomic level, the Lewis model of structural transformation remains a vital framework for understanding the dynamics of labor migration from traditional, low-productivity sectors to modern, high-productivity environments that is particularly relevant in the Indian context (Gries, T., & Naudé, W., 2010). Contemporary interpretations of this model suggest that opportunity-driven entrepreneurship is pivotal in facilitating this transition. The Global Entrepreneurship Monitor (GEM) framework posits that the influence of entrepreneurship on economic growth is contingent upon individuals' competencies to exploit available opportunities, a process significantly shaped by institutional conditions such as governance, regulatory frameworks, and the sophistication of the national financial system (Gries, T., & Naudé, W., 2010).

<i>Theoretical Construct</i>	<i>Application in Indian Context</i>	<i>Impact on Macroeconomic Variables</i>
Schumpeterian Creative Destruction	Digital disruption in banking, retail, and education sectors.	Increased efficiency, market competitiveness, and capital turnover.
Lewis Structural Transformation	Labor shift from subsistence agriculture to modern services and tech.	Higher aggregate productivity and wage-led demand growth.
GEM Conceptual Framework	Individual opportunity exploitation driven by Digital India infrastructure.	Enhanced Total Entrepreneurial Activity (TEA) and innovation rates.

The distinction between necessity-driven and opportunity-driven entrepreneurship is of particular importance in developing economies like India. Necessity-driven entrepreneurship often arises in response to rigid labor markets and inadequate social safety nets, compelling individuals to resort to self-employment as a survival strategy. While this phenomenon may increase the number of entrepreneurs, it often correlates with lower productivity levels and heightened vulnerability to economic fluctuations. In contrast, opportunity-driven entrepreneurship typically flourishes in environments marked by stable political conditions and robust economic growth, encouraging individuals to innovate and capitalize on market opportunities for profit. Entrepreneurship development programs are designed to help individuals turn their innovative ideas into successful business ventures. These programs include essential components such as business

planning to create effective operational strategies, marketing techniques to target audiences, and fostering creativity for unique offerings. This initiative is expected to contribute to enhanced quality and foster sustainable development, driven by innovative practices that aim to expand employment opportunities. Recognizing these distinctions is of paramount importance for policymakers who seek to create a supportive and encouraging entrepreneurial environment in developing regions.

The Macroeconomic Environment and Growth Projections (2013–2025)

Since the mid-1990s, India has undergone a remarkable transformation, shifting from a phase of recovery to a sustained period of high-potential growth. This evolution is anchored by a solid foundation comprised of three key pillars: stability, growth, and confidence. Presently, India stands as the fastest-growing major economy in the world, with an estimated real Gross Domestic Product (GDP) growth rate of 6.4 percent for the fiscal year 2024-25. This growth rate not only reflects a steady progression but also aligns with the country's decadal average, highlighting resilience and consistency in its economic performance. Projections for the fiscal year 2025-26 are even more promising, with an anticipated increase in growth to 7.4 percent (Economic Survey, 2024-25). Central to this economic narrative is the evolving role of entrepreneurship, which serves as a vital driver of structural transformation. This transformation facilitates the movement of the labor force away from low-productivity subsistence agriculture and into higher-value manufacturing and advanced service sectors, thereby contributing to a more sophisticated and diversified economic landscape.

The Economic Survey for 2024-25 projects that India's real GDP growth will range from 6.4% to 6.5% for the fiscal year 2025. This projection reflects the enduring resilience of the Indian economy, which is supported by strong service exports, a notable increase in capital expenditure reaching ₹10.52 trillion, and substantial foreign direct investment inflows totaling USD 55.6 billion from April to November of fiscal year 2025. These factors collectively reinforce India's standing as a high-growth and stable economic environment, further enhancing its appeal as a destination for investment and economic activity.

The Startup Ecosystem: A Decade of Catalytic Growth

The inauguration of the Startup India initiative on January 16, 2016, marked a transformative milestone in the evolution of India's entrepreneurial ecosystem. This

initiative aimed to foster innovation and support the growth of startups across various sectors, thereby creating an environment conducive to entrepreneurial success. Over the course of the subsequent decade, India's startup ecosystem has undergone significant maturation, transitioning from a collection of a few innovators to a thriving, dynamic hub that is now recognized as the third largest startup ecosystem globally (KPMG, 2024). As of the end of 2024, the Department for Promotion of Industry and Internal Trade (DPIIT) had officially recognized 157,000 startup entities (ibid). These enterprises have collectively generated more than 1.7 million direct jobs, playing a crucial role in addressing unemployment and driving economic growth. The contributions of these startups extend beyond job creation; they have become vital players in enhancing India's economic tapestry, making strides in areas such as technological innovation, service delivery, and product development (Press Information Bureau, 2024). The impressive growth trajectory of the startup sector is supported by a comprehensive ecosystem that includes a variety of resources such as incubators and accelerators, which provide essential guidance and support to new ventures. Additionally, there has been a marked increase in venture capital (VC) and private equity (PE) funding, enabling startups to secure the necessary financial resources for scaling their operations and bringing innovative ideas to the market. Notably, this surge in investment is increasingly being directed toward tier-II and tier-III cities, where startups are able to capitalize on lower operational costs and access untapped markets that were traditionally underserved. This deliberate focus on tier-II and tier-III cities not only facilitates the growth of individual enterprises but also contributes to the broader economic development of these regions. By fostering a culture of entrepreneurship in areas outside major metropolitan hubs, the Startup India initiative enhances local economies, drives regional development, and promotes inclusive growth. Overall, the initiative has played a pivotal role in reshaping India's entrepreneurial landscape, positioning the country for a future defined by innovation and sustainable economic progress.

MSMEs: The Bedrock of Industrial Output and Employment

The Micro, Small, and Medium Enterprises (MSME) sector stands as a vital pillar of India's industrial landscape, effectively balancing the rich heritage of traditional craftsmanship with the efficiencies of modern manufacturing processes. This dynamic sector contributes a remarkable 30% to India's Gross Domestic Product (GDP), underscoring its significance in the national economy. Furthermore, MSMEs

account for nearly 45% of the country's total exports, highlighting their role not only in domestic growth but also in enhancing India's position in the global market (Press Information Bureau, 2024). Beyond their economic impact, MSMEs are instrumental in fostering regional inclusivity and driving substantial employment opportunities across diverse communities. They play a key role in empowering local artisans and entrepreneurs, ensuring that even the most marginalized groups have a platform to contribute to the economy. At a global scale, Micro, small, and medium enterprises (MSMEs) comprise 90% of all businesses, generate between 60% and 70% of employment opportunities, and contribute approximately 50% to the global gross domestic product (ibid). These entities are indispensable not only as key drivers of the economy but also as the foundational pillars of our societies. They generate jobs and effectively promote inclusive growth, particularly for underserved populations such as the working poor, women, youth, and other vulnerable communities. Their impact is significant, creating robust livelihoods and ensuring a more equitable future for all.

In India, the government has recognized the essential role that MSMEs play in economic development and has launched targeted initiatives to bolster this sector. Programs such as MUDRA (Micro Units Development and Refinance Agency), Stand-Up India, and Startup India have been pivotal in advancing the growth and expansion of MSMEs. These initiatives have significantly improved access to credit, which is often a major barrier for small businesses, and have also encouraged a spirit of inclusive entrepreneurship that empowers diverse groups to participate in the economy. Additionally, these government programs have facilitated the integration of small businesses into the rapidly evolving digital economy, allowing them to leverage technology to enhance productivity and market reach. Moreover, by aligning with public procurement frameworks, MSMEs are now better positioned to secure government contracts, further strengthening their role in India's economic development. This holistic approach not only accelerates their growth but also ensures that they contribute to a more resilient and diverse economic structure.

Structural Transformation and the Manufacturing Push

A central aim of India's macroeconomic strategy is the revitalization of the manufacturing sector, prominently driven by the ambitious "Make in India" initiative. This far-reaching program targets 27 priority sectors, aspiring to elevate India beyond the role of a mere technology adopter, ultimately transforming it into

a global innovator (Press Information Bureau, 2024). With a strong emphasis on advancing industrial capabilities, driving innovation, and establishing world-class infrastructure, this initiative firmly positions India as a pivotal player in the global economy. Fueled by essential programs such as the Production Linked Incentive (PLI) Schemes, PM Gati Shakti, the National Logistics Policy, and comprehensive tax reforms like the Goods and Services Tax (GST), “Make in India” confidently propels economic growth, accelerates job creation, and elevates global competitiveness (ibid). A crucial element of this transformative strategy is the Production Linked Incentive (PLI) scheme, designed to attract substantial investments, particularly in high-technology sectors like electronics and semiconductors. The noticeable structural transition towards more advanced production methods is reflected in the fact that medium- and high-technology sectors now contribute an impressive 46.3% of India’s total manufacturing value added. This shift signifies India’s move beyond low-value assembly tasks into more complex, value-added production processes, thereby enhancing its competitive positioning alongside other emerging industrial economies (NITI Aayog, 2024). This evolution is further bolstered by the establishment of industrial corridors and the expansion of cutting-edge infrastructure, both of which are critical to achieving efficient and effective production.

Digital Transformation

Digital transformation involves significant strategic, organizational, and ecosystem alterations through which companies aim to utilize digital technology to explore new strategies, business models, and capabilities (Simsek et al., 2024). The phenomenon referred to as the “entrepreneurial awakening” in India is deeply intertwined with the ongoing digital revolution that is reshaping the business landscape. Significant governmental initiatives like “Digital India” have laid a robust foundation for the development of “lean” business models. These models are characterized by their ability to scale rapidly without necessitating large initial investments in physical infrastructure, thereby fostering innovation. India is set to become the world’s second-largest online market, with projections indicating over 900 million active internet users by 2025. This remarkable growth is poised to influence not only commercial development but also to promote economic advancement and social change with the anticipation that India’s e-commerce market may reach \$200 billion by 2027, with the shift toward digitization (IBEF, 2024).

In response to the rapidly shifting market conditions and emerging trends, entrepreneurs should make strategic realignment aims through digital upskilling and the implementation of frameworks like the Open Network for Digital Commerce (ONDC) for maximizing the global outreach and competitiveness to fully harness and enhance their marketing capabilities in a dynamic environment.

Toward Viksit Bharat 2047: Innovation, Sustainability, and Inclusion

As India embarks on its ambitious journey toward the 2047 vision, the entrepreneurial model is gradually evolving from a focus exclusively on growth to one that emphasizes the balance between innovation, sustainability, and social inclusion. This shift is evident in the increasingly popular trend of “social entrepreneurship,” where businesses prioritize social impact alongside profit. Furthermore, there is a growing emphasis on ventures that actively contribute to circular economy practices and green energy solutions. Decarbonization within the MSME sector stands out as a pivotal macroeconomic priority in India’s growth strategy. The Technical Working Committee established by NITI Aayog has formulated comprehensive roadmaps that aim to ensure that newly established and emerging MSMEs adopt low-carbon strategies from the outset of their business journeys. The acceleration of this “green transition” is not merely a regulatory obligation but is viewed as a critical pathway to becoming globally competitive, thereby safeguarding Indian firms’ involvement in sustainability-driven global value chains. Entrepreneurship has been recognized as the primary vehicle for addressing this pressing challenge; however, realizing this potential necessitates a transformative approach to human capital development through trainings and skills enhancement. The collaborative efforts between various government initiatives, including the ambitious Startup India campaign aimed at promoting entrepreneurship, the Make in India program designed to bolster manufacturing within the country, and the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) focused on enhancing vocational skills, work in concert with educational frameworks that prioritize skill development programs. This synergy facilitates a strong relationship that significantly contributes to the creation of a dynamic and prosperous economic landscape.

Conclusion

The analysis of entrepreneurship development in India highlights a significant structural shift towards opportunity-driven innovation, supported by ambitious

domestic reforms and a strong startup ecosystem. To achieve the goal of a USD 5 trillion economy by 2027 and developed nation status by 2047 (PIB, 2024), India must address challenges such as the formal credit gap, delayed payments, and regional disparities in digital literacy. Effective policies should foster collaboration between established organizations and startups rather than just providing credit. Coordinated efforts across government entities and a focus on cluster-based development, merchandise exports, and a green transition are essential for sustainable and inclusive entrepreneurial growth. The entrepreneurial drive of India's youth, combined with a supportive regulatory framework, is vital for long-term prosperity and global competitiveness.

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