

## Chapter 2

# Economic Development Through Regional Approach: Case Study of India

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### ABSTRACT

*Entrepreneurship has potentially short, medium, and long-term consequences for regions, including the creation of employment and wealth. Efficient firms grow and survive while inefficient firms decline and fall. Regions have gained a position at the forefront of the economic development policy agenda. However, the regional approach to economic strategy remains contested. The ability of regions to gain from the positive effects of entrepreneurship will depend on their institutional arrangements, the social payoff structure, and their ability to turn knowledge into regional growth through the creation and dissemination of knowledge. Through in-depth observation, examining policies, and content analysis of relevant documents, this chapter through case study of Pune Auto Component Small- and Medium-sized Enterprises (SMEs) from India attempts to explore and understand the extent economic development occurs when regional approach is adopted.*

### INTRODUCTION

The regional level is an important dimension for understanding entrepreneurship and competitiveness, and while the nation is often used as the unit of analysis in studies of economic development, it is clear there are substantial differences in

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economic performance across regions within nations (Verheul et al., 2001; Porter, 2003). Entrepreneurship has potentially short-, medium- and long-term consequences for regions, including the creation of employment and wealth (Fritsch & Mueller, 2004; Mueller, Van Stel, & Storey, 2006). Efficient firms grow and survive while inefficient firms decline and fall (Audretsch & Keilbach, 2004), and the total effect upon employment can therefore be either positive or negative, depending upon the magnitude of the three elements (Fritsch & Mueller, 2004; Mueller, Van Stel, & Storey, 2006). The ability of regions to gain from the positive effects of entrepreneurship will depend on their institutional arrangements and the social payoff structure (Baumol, 1990), and their ability to turn knowledge into regional growth through the creation and dissemination of knowledge (Audretsch & Keilbach, 2004).

## **BACKGROUND**

Regions have gained a position at the forefront of the economic development policy agenda. However, the regional approach to economic strategy remains contested, though many have used enterprise development as a tool for improving regional competitiveness (Deshpande & Baporikar, 2012a). This chapter finds that entrepreneurship policy at the regional level is multidimensional, with policies broadly ranging from those that are either economically or socially driven. Although there is a considerable policy activity in these areas across less competitive regions, enterprise policy making remains relatively undifferentiated across the regions (Baporikar, 2013). There are a number of evolutions in regional policy occurring, especially a shift from policies relating to the facilitation of clusters to those focused on developing regional innovation ecosystems. It is found that regional policy makers are under pressure to measure short-term outputs at the expense of long-term nurturing. A decentralized regional political base can allow for differentiation in regional economic policies, including entrepreneurship, and in a normative sense policy should seek to encourage diversity and experimentation across regions (Gibb 1993).

However, and despite national government putting regions and regionalism at the forefront of the policy agenda (Gibbs 1998; Pearce & Ayres 2009), the regional approach to economic strategy remains contested, and has been criticized as lacking vision and cohesion between policy areas, and failing to identify truly regional issues, with regional planning guidance tending to replicate national policy rather than translating it into a regional context, leading to a lack of regional distinctiveness (Hull 2000; Tewdwr, Jones, & Phelps, 2000; Charles & Benneworth, 2001; Peck & McGuinness, 2003). Others state that regional agencies, despite billions of pounds

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