International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
www.ijiemr.org

IJIEMR Transactions, online available on 16th Feb 2022. Link :http://www.ijiemr.org/downloads.php?vol=Volume-11&issue=ISSUE-02

DOI: 10.48047/IJIEMR/V11/I02/16

Title **CAN TAX-BREAKS HELP ENTREPRENEURSHIP TO GROW THE ECONOMY OF A COUNTRY BY ENCOURAGING RISK-TAKING: A REVIEW**

Volume 11, Issue 02, Pages: 125-129

Paper Authors
Dr.B.Girimurugan, Dr.S.Geetha

International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
www.ijiemr.org

CAN TAX-BREAKS HELP ENTREPRENEURSHIP TO GROW THE ECONOMY OF A COUNTRY BY ENCOURAGING RISK-TAKING: A REVIEW

Dr.B.Girimurugan[1], Dr.S.Geetha[2]

[1]Assistant Professor/ Management studies, Koneru Lakshmaiah Education Foundation (Deemed to be University), Guntur, Andhra Pradesh, girimurugan@kluniversity.in

[2]Assistance Professor, Department of Commerce, Mannar Thirumalai Naicker College, Madurai. geetharaja20@gmail.com

Abstract -The purpose of the article was to get a detailed understanding of the links between innovation, economic expansion, and policymaking, as well as how these interactions differ depending on the phase of growth. The studies in this special edition examine both macroeconomics information and provide many policy suggestions. First and foremost, middle-income nations should prioritize human resource development, technological advancement, and enterprise development. Because the driving factors are subjective characteristics that are hard to modify in the near term, it is critical to initiate business growth initiatives early. Second, in most circumstances, lowering entrance barriers would not bring in more elevated companies in mature countries. To foster the emergence of elevated initiatives, both labor force reforms, and finance sector liberalization may be required.

Entrepreneurship is a worldwide phenomenon that affects both advanced and emerging nations. New companies are influenced by both local financial and technological variables. This study proposes a paradigm in which innovative (high-quality) entrepreneurship is viewed as a key driver in emerging economies. The model incorporates the factors of cultural and resource requirements, as well as their link to entrepreneurial quality. The concept of instability is discussed, with the function of cultural and resource requirements stated as hindering innovation in emerging nations while encouraging entrepreneurship in wealthy ones. The paradigm also provides a coherent strategy for future study on the bridge and regional disparities in new endeavor growth performance and quality.

Keywords - Entrepreneurship, business plan competitions, developing societies, cross-cultural entrepreneurship, and entrepreneurship education.

Introduction - By lowering after-tax gains, the tax rate decreases the yield on extra risk-taking, but that also raises the marginal benefit of the increased profit. Which one of these two impacts takes precedence depends on the company's risk appetite. As per Roland et al., (2021) increased taxes diminish company risk-taking when risk

International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
www.ijiemr.org

aversion is low. Taxes can influence both market forces variables by affecting incentives. For example, lowering marginal rates on earnings and salaries might make people work more. By increasing the earned income credit, more low-skilled employees will be able to enter the workforce. By offering new technology, goods, and activities, innovators help to enhance growth in the economy. Existing businesses are being pushed to be more efficient as a result of increased rivalry from entrepreneurs. In the short-and long-term, aimed at creating new job possibilities (Alkhalaf et al. 2022).

A tax change's framework and financing are crucial to attaining economic development. Tax cuts may motivate people to work, conserve, and reinvest, and if they're not accompanied by rapid expenditure cutbacks, it will almost certainly result in a greater budget deficit, which will diminish national savings and boost interest rates in the long run. Kumar, (2022) stated that the net effect on development is unknown, although many studies showed that the majority that it will be minimal or negative. Base-broadening policies can reduce the impact of tax rate reduction on budget deficits while also minimizing the impact on the supply of labor, savings, and investing, reducing the direct effects on growth (Nayak et al., 2022). It does, though, redistribute money across industries to the greatest commercial use, leading to improved productivity and possibly increasing the economy's total size. According to the findings, not all tax adjustments would have the same influence on development. Reform efforts that increase motivations, remove current supports, minimize large profits, and prevent budget deficit will have a more favorable impact on the country's economic lengthy growth, but they may result in the exchange between fairness and effectiveness (Acsand Szerb, 2007).

Corporate and individual behavior is affected by income effect impacts when income tax rates are reduced. Kakti, (2021) stated that lower tax rates increase the after-tax benefit for earning, conserving, and investment, which has a beneficial impact on the growth of the economy. Through productive inputs, these larger after-tax benefits inspire additional labor effort, savings, and reinvestment. The "intended" impact of tax cuts on the growth of the economy is usually this. Another benefit of pure rate decreases is that they diminish the value of taxation inefficiencies and cause an effective shift in the mix of economic growth away from presently income sectors like health and housing (while keeping the volume of business growth unchanged) (Shengelia, Tsiklauri-Shengelia, and Shengelia, 2021).

For instance, a reduction in tax rates across the field contains all of these impacts. Through substitutability, it raises the relative return to employment, hence boosting the labor supply. It diminishes the value of current tax subsidies, altering the mix of economic activity in the process (Kumar, 2020). It also increases a family's income after-tax earnings at all levels of labor supply, reducing labor supply via the revenue impact. The overall impact on labor

International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
www.ijiemr.org

supply is unclear. The effect of tax rate reductions on savings and other behaviors has a similar effect.

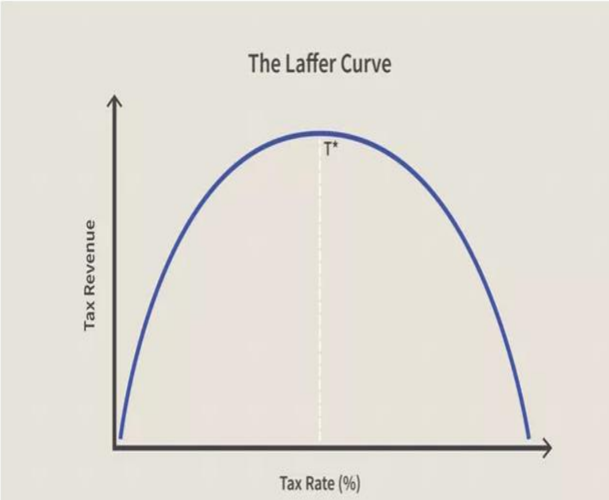

Fig 1 - The Laffer curve tells about proportionality between Tax Revenue and Tax Rate(%)

According to Laffer (Fig 1), more and more money is taken from a corporation in the form of a tax from each new pay period, the less income it will be prepared to invest. A company's capital is more likely to be protected from taxes by relocating all or part of its overseas operations. Any tax decrease, however, must be paid for with a mix of future spending cutbacks and tax hikes, as well as lending to fill the gap between spending and collections (Almahirah et al., 2021). Although the linked, essential policy changes were not included in the initial tax-cut legislation, they must be typically present for the government to achieve its budget constraints. Because financially untenable measures cannot be sustained indefinitely, studies that have investigated the effect of a tax reduction must include the funding of the tax cut (Mirović and Petrović, 2021).

University-based entrepreneurship is undergoing a profound transformation between the traditional 'business school' strategy and the current cross-disciplinary 'technology exploring' approach, which is primarily promoted by research universities and other groups outside of business schools. As per Sehgal et al., (2022) the conflict is somewhere between formal 'business strategy and implementation,' which is based on a business and management tradition, and 'opportunity search and exploitation,' which is based on Microeconomic firm that offers and reflects the method used in cross-disciplinary scientific discoveries, thus mirroring the nature of entrepreneurialism. The tax structure is used by the federal govt. to collect money, and it puts the responsibility where it feels it'll have the slightest effect. However, the "flypaper hypothesis" of taxes (the notion that the payroll tax is borne by the state where the tax is levied) frequently proves to be inaccurate (Nyanga and Chindanya, 2021).

Rather, taxation is shifted. The term "transferring tax burden" refers to a situation in which the economy's response to a tax leads prices and production to fluctuate, transferring some of the hardship to others. When the government imposed an income tax on luxury products in 1991, it assumed that the wealthy could manage to pay tax and will not modify their buying patterns (Bhasinand Venkataramany, 2010).

International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
www.ijiemr.org

Conclusion - It is often assumed that lowering marginal rates will boost economic growth. Lower-income tax rates are supposed to provide consumers more after-tax money, which they may use to buy more products and services. This is a required argument in support of a tax decrease as a stimulus spending. Reduced tax rates might also encourage savings rates, boosting the economy's productive potential. However, research has revealed that this isn't always the case. According to a working paper published by the Bureau Of Economic Analysis, tax cuts focused on elevated earners have a smaller economic effect than those aimed at low and modest taxpayers (Klapper, Miller, and Hess, 2019).

References -

Acs, Z.J., and Szerb, L., 2007. Entrepreneurship, economic growth, and public policy. *Small business economics*, *28*(2), pp.109-122.

Alkhalaf, T., Durrah, O., Almohammad, D. and Ahmed, F., 2022. Can entrepreneurial knowledge boost the entrepreneurial intent of French students? The mediation role of behavioral antecedents. *Management Research Review*.

Almahirah, M. S., S, V. N., Jahan, M., Sharma, S., & Kumar, S. (2021). Role of Market Microstructure in Maintaining Economic Development. Empirical Economics Letters, Vol.20, no.2, pp. 01-14

Bhasin, B.B. and Venkataramany, S., 2010. Globalization of entrepreneurship: Policy considerations for SME development in Indonesia. *International Business & Economics Research Journal (IBER)*, *9*(4).

Colombo, M., Grilli, L., Honjo, Y., Lai, K. and Stam, E., Promoting Support for Start-ups.

Kakti, A., Kumar, S., John, N. K., Ratna, V. V., Afzal, S. and Gupta, A. das. (2021). Impact of Patients Approach towards Healthcare Costs on their perception towards Health: An Empirical Study. *Tobacco Regulatory Science*, Vol.*7, no.* 6–1, pp. 7380–7390.

Klapper, L., Miller, M. and Hess, J., 2019. Leveraging digital financial solutions to promote formal business participation.

Kumar, S. (2020). *Relevance of Buddhist Philosophy in Modern Management Theory*. *Psychology and Education*, Vol. 58, no.2, pp. 2104–2111.

Kumar, S. (2022). A quest for sustaining (sustainability Premium): a review of sustainable bonds.Academy of Accounting and Financial Studies Journal, Vol. 26, no.2, pp. 1-18

Kumar, S. (2022). Risk rationalization of OTC derivatives in SOFR (secured overnight funding rate) transition: evidence from linear interest rate derivatives. Academy of Accounting and Financial Studies Journal, 26(3), 1-22.

Mirović, I. and Petrović, V., 2021. THE ENTREPRENEURIAL STATE AND CRISIS. *Novi Ekonomist*, *15*(29).

Nyanga, T. and Chindanya, A., 2021. From Risk Aversion to Risk Loving: Strategies to Increase Participation of Female Entrepreneurs in Masvingo Urban, Zimbabwe. *Ushus Journal of Business Management*, *20*(1), pp.1-14.

Roland, G., Kumaraperumal, S., Kumar, S., Gupta, A. das, Afzal, S. and Suryakumar, M. (2021). PCA (Principal Component Analysis) Approach towards Identifying the Factors Determining the Medication Behavior of Indian Patients: An Empirical Study. Tobacco Regulatory Science, Vol. 7, no. 6-1, pp 7391-7401

Santos, K. and Delina, L., 2021. Soaring sustainably: Promoting the uptake of sustainable aviation fuels during and post-pandemic. *Energy Research & Social Science*, *77*, p.102074.

Sehgal. P, Kumar. B, Sharma.M, Salameh A.A, Kumar.S, Asha. P (2022), Role of IoT In Transformation Of Marketing: A Quantitative Study Of Opportunities and Challenges, Webology, Vol. 18, no.3, pp 1-11

Shengelia, R., Tsiklauri-Shengelia, Z. and Shengelia, N., 2021. Role of Innovations in Development of Business Organizations. In *Self-Management, Entrepreneurial Culture, and Economy 4.0* (pp. 40-49). Routledge.

Solomon, S., Bendickson, J.S., Liguori, E.W., and Marvel, M.R., 2021. The effects of social spending on entrepreneurship in developed nations. *Small Business Economics*, pp.1-13.