Impact on Growth of Institutional Entrepreneur and Economic Growth Through Returning Industry Transfer

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Abstract: Economic Development is the main aim for every country. Returning industry transfer (RIT) is a continuous cycle of developing industry and the economic growth. Through the returning industry transfer, the numbers of Institutional entrepreneurs increasing day by day. The basic aim of RIT is to strengthen the growth level of entrepreneurs who then drive more economic growth through their innovative strategies. Returning industry transfer has a positive influence on the growth of institutional entrepreneurs as the skills and capabilities of a traditional entrepreneur can be nurtured, promoted and cultivated with it. RIT is further associated with a number of beneficial outcomes such as higher production levels, skills and knowledge migration across industries, reduced costs, lowered poverty levels and improved entrepreneurial abilities. The objective of this study is to analyze the impact on rural revitalization through returning industry transfer. To do so, the paper considers factors like high technology, entrepreneur, poverty alleviation, rural revitalization. All these factors which result from RIT also have a broader economic impact in the form of long-term growth and development. Returning industry transfer is a driving factor to bring entrepreneurial innovation in an industry. Not only has this but it also enhanced the pace of rural revitalization, poverty reduction, economic development and growth.

Keywords: Returning Industry Transfer, Institutional Entrepreneur, Economic Growth, Social Entrepreneurs, Poverty Reduction, Rural Revitalization

1. Introduction

The emerging new technologies are also giving rise to rapid globalization and returning industry transfer. The industries are now transferring their focus from traditional production to a more technology-intensive approach. Which further results in the form of shorter product life cycles and time reduction for other related processes. Moreover, this type of transformation has not only helped the industries to become more productive but also helped the entrepreneurs to transform themselves into institutional entrepreneurs [1]. It is because the process of this transformation also plays an important role in educating, promoting and cultivating their entrepreneurial abilities.

Returning industry transfer (RIT) is a continuous cycle of industrial and institutional innovation different from the traditional transfer. The migrants from abroad to home (before whoever migrated abroad for work) and cities to rural (before whoever migrated to cities for work) can be considered as returnee of Returning Industry transfer (RIT). It can also be characterized by rapid migration of skills and knowledge, decreased cost and larger-scale production, more entrepreneurial power and lower barriers to entry into the market. All these factors also promote institutional and industrial development further leading to economic growth. A partial role is also played by the institutional entrepreneurs as well. Because the basic aim of RIT is to strengthen the growth level of entrepreneurs who then drive more economic growth through their innovative strategies. Moreover, this also enables them to explore and exploit institutional structures which are destined to bring greater economic and social and economic benefits in the long run.

On the consideration of China, the changes in the governmental policy of China related to labor mobility,
cross-regionally and its rapid economic development have led the massive rural-urban evacuation of the labor force since the last four decades. It was estimated by the National Bureau of Statistics of China that around 145 million were the people who had migrated from rural areas to cities to work at the end of 2009. It was further indicated by the estimations that every fifth person had migrated from the rural area among the overall labor force. The phenomenon of returnee in China has however many oddities making China-specific comparatively to the related international experiences. The first thing is that this returnee is largely cross-regional or internal movement from regions and due to the largest population size of China the flow of migrants towards cities is also taking place on a gigantic scale. Secondly, the strong institutional constraint that includes the complicated and interlinked system of household registration, as well as rural land tenure, has shaped the returnee pattern [2].

Although, the rural migrants who come to cities for working still hold a Hukou in the rural region which is a systematic household registration system used in mainland China. Due to holding Hukou, the rural migrants are restrained to access the urban public benefit or social welfare including free schooling for their children, healthcare or medical services, social insurance etc. however, the rural migrants are entitled to possess the right of tillth land in their home towns (villages) according to Hukou. This right ensures the safety for the rural migrants as it protects them from being homeless, landless and jobless. This administrative obstacle restrains the rural migrants to get settled permanently in the cities and hence they remain able to maintain close ties with their home villages and their home communities. That is why the large part of rural migrants in China has consisted of temporary migrants [3].

Various forms can be taken by temporary returnee on the basis of whether the migrants settle back permanently on return or not. The most common type of returnee is seasonal or circular and this type of movement is somehow well-documented in China. Various researches or studies focus on the relevant issues and aspects of returnees mainly the determinants, factors or drivers that shape the returnee decisions of the concerns like how rural development is impacted by the migrant remittances. The returnee did not occur itself on a gigantic scale until the middle of 1980s, that is why the phenomenon of returning with enduring resettlement in the home villages is a relatively newer topic that should be still explored. The actual number of return migrants all across China has although not been systematically estimated but different estimations confluent and reported that almost 1/3 of all the migrants in China have gone back to their home towns by the end of 1990s. The Chinese Ministry of Agriculture through its research project stipulated that almost 6.3% of the total rural labor force and 28.5% of the overall migrant population consists of return migrants [4]. The research also highlights the growing pattern of return migrants particularly after the years of 1994 to 1996. Li, Liu, Long and Cui have also observed in their research that the twin debate on the international returnee has eclipsed the internal returnee as well as its influence on the development of source communities [5].

Therefore, the growth of any industry depends on a number of factors including factors of production, technology, rate of innovation and knowledge and entrepreneurial skills. But the most important factor among them is the growth of entrepreneurs because only a higher level of efficiency at the management level is required to achieve the growth and development goal. Studies have also shown that there exists a strong correlation between returning industry transfer, institutional entrepreneur and economic growth [6]. This article will attempt to explore the nature of this relationship and also the factors which can improve this nexus of innovation and growth.

2. Literature Review

Lin, Lu and Zhang found the relationship between the extent of industry transfer and its relationship with international knowledge. They found that due to the rapid globalization and technological advancements, the knowledge and skill transfer have become easier than before [7]. This mobility of human capital across industries further results in the form of returning industry transfer and innovation. This is because the returnees who come to work from overseas have the accumulated and explicit knowledge of foreign markets, their technological advancements, and other relevant experience. Therefore, their institutional skills and expertise bring advancements to the industry in the form of tech-based industry development, innovation and result oriented entrepreneurial decisions. However, there are some factors that can negatively affect this transformation, for example, the company culture and legal structure of which the returnee CEOs are mostly unaware of. But still, their overseas experience helps a great deal to bring entrepreneurial innovation and growth to the existing industry.

Long and Woods have renewed the interest on the issue of impacts on rural revitalization in their literature by stating that the rural areas can be developed by the contribution of the internal returnee which can be made possible through the mounting agreement on the related channels [8]. Hin and Xin have viewed the phenomenon of returnee as a strategy that helps in diversifying the sources of income as well as in reducing the income variability for rural households. In this sense, it can be expected that the poverty in rural areas can be alleviated through the remittances, the migrants send to their households. It can also help them in securing their incomes and ensuring the availability of savings for any unexpected or expected need [9].

Jones, Ram and Varela also discovered the relationship between returnee entrepreneurs and the development of an industry. According to their findings, the institutional entrepreneurs who come from overseas not only improve the pass of industry transfer towards a more productive one but also have an impact on economic diversity which is
be done by transforming them into institutional entrepreneurs. Therefore, they play an important role to transform them. Thus, they should be provided with appropriate funds, resources, and training to meet the entrepreneurial challenges at the rural level.

The institutional entrepreneurship, no matter from returnee or locals, is always linked with the overall development of a society and rural areas are not an exception. In fact, the rural revitalization and development of majorly connected with the strength of entrepreneurial abilities of an individual. Since the institutional model of entrepreneurship is based on innovation. Therefore, this can bring growth, job creation, higher production and increased level of economic productivity to the rural areas [11]. Sarabu, also found the relationship between rural revitalization and institutional entrepreneurship and suggested that this type of entrepreneurs can help bring growth in business, agriculture, and industry at the rural level [12]. Therefore, they should be encouraged to take such endeavor in such areas in order to bring overall economic development. Moreover, they should also be provided with appropriate funds, resources, and training to meet the entrepreneurial challenges at the rural level.

Institutional entrepreneurship is also concerned with reducing the poverty levels in society. The lack of proper employment and poverty are among the major socio-economic challenges especially in developing and underdeveloped countries. These types of problems can be reduced by the innovative mindset of entrepreneurs. This can be done by transforming them into institutional entrepreneurs with a keen focus on innovation and tech-based development. Therefore, structured training and institutional programs also play an important role to transform them. Therefore, they may be able to work efficiently for poverty alleviation and other regional disparities that are the result of a high level of poverty [13].

During recent decades, another term was coined that is also a part of institutional entrepreneurship, called social entrepreneur. In general terms, it refers to an individual who forms an enterprise with a basic aim to bring social change into society. This sensible approach is greatly appreciated by the business world because it can not only solve many social issues but can also positively contribute to economic growth. That is why more and more companies are transforming them into a social enterprise with a greater focus on bringing some social benefits. Therefore, the need for sensible business leaders and social entrepreneurs has also increased than before. It is because they will benefit society by creating more jobs and improving the living standard of people hence leading to economic growth and development. This type of leadership acts as a change agent at different layers of the society by providing valuable social services and teaching people to become the influencers themselves [14].

An institutional entrepreneur is different from the traditional approach because it mainly focuses on innovative strategies to bring beneficial changes to the corporate world. This, in turn, leads to greater advantages of economic growth and development. This type of relationship is also researched by Adusei, who found that strong entrepreneurship tends to create more jobs and promote economic growth [15]. Such type of leaders acts as valuable assets for a nation as they can strengthen the standard of living of people through their innovative ventures. For example, they can make the right investment decision for a type of product that is destined to be successful in the consumer market. Not only may this, but their meaningful insights regarding the production functions also lead to the creation of further employment. It is because there are some types of products which create demand for further similar products from the consumers hence helping other industries to develop. Example of such products includes IT and other tech-related products. This way, institutional entrepreneurs indirectly contribute to the generation of more wealth. It then contributes to the higher pace of development and growth at the economic level. Therefore, this type of leadership should be encouraged, motivated and cultivated so that the coming generations may also take benefit from their innovative endeavors.

Lee found the relationship of an institutional entrepreneur with the growth of small businesses and overall economic development. He used the bankruptcy laws wage growth and urban employment level during the years 1993 to 2002 in order to determine the improvement that happened due to the use of structural and innovative strategies by the entrepreneurs during these years. The results of his study showed that there was a significant improvement in all the growth variables. The growth of the small and medium business has stimulated by 10% while the employment and annual wage rate also increased by 2.4–4.0% and 1.2–2.0% respectively. This all happened due to the entrepreneurial development and use of various institutional strategies by the leaders [16].

Doran also discovered a similar relationship between entrepreneurial ability and economic growth of both developed and underdeveloped countries. The study population included 55 countries from 2004-2011 with varying gross domestic product (GDP). Moreover, the entrepreneurial ability of leaders is determined with the use of 14 types of indicators and statistical tool to analyze the result is regression analysis [17]. The results conclude that economic growth is closely linked to the entrepreneurial ability of leaders. However, the impact varies from different attributes and some are found to be more effective than others.

3. Methodology

To carry out this research qualitative research design has been chosen and the type of data has been kept secondary. The qualitative study design is more appropriate for this
study because it helps in attaining the more detailed and in-depth description of the phenomena under study as compared to the quantitative research design. Additionally, the qualitative design is employed usually when the study is aimed to be understood in the social context. The purpose of the current study is to understand the role of returning industry transfer in rural revitalization. Here we have been used the data in the context of China. So this social context justifies the chosen research design. The existing literature has been approached through online journals and different sources. The current study is an attempt to fill the gap in the literature as this study does not only include those migrants who return to their home villages but it also addresses those migrants who return to the urban destinations like small towns or cities near to the hometown or area of origin. In order to gather the data, several existing studies have been reviewed thoroughly to derive the most relevant information and most appropriate findings in order to explain the topic into consideration [18]. The current research uses the empirical research design for the current research. It is the descriptive study so existing researches or empirical evidence will be very useful for the collection of data.

4. Findings

In the context of China, the rural migrants can not avail the advantageous position of being a migrant in the host cities due to the Hukou system that does not permit the rural migrants to equally access the urban resources and facilities thus this routine discrimination put the rural migrants in the disadvantageous position. Usually the low-paying jobs or labour-intensive work is taken by the rural migrants that are abominated by the local dwellers. Additionally, the rural migrants generally have to suffer from poor living conditions due to their inability of affording as well as they are not more likely to become homeowner in the city due to affordability constraint. They also have to deal with many hurdles and greater risks are given the lack of social welfare, therefore, they possess quite a different lifestyle and concerns comparatively to the local residents in urban areas [19]. But the gradual changes can be observed in the current situation as the local governments in China have attempted to carry out reform measures for the Hukou system that is needed to be further flexible and relax. These considerations about reforms are the result of the new-style urbanisation campaign introduced by the central government of China at the beginning of 2010.

Adding to this, the residence card policy was later introduced in 2016 in some cities of China allowing the eligible and deserving rural migrants to avail basic public services facilitated in urban areas such as medical or health care or public education. Further, the improvements in the educational attainment and professional skills of the rural migrants have been observed especially in the recent decade that has led to higher human capital enabling a long-term urban livelihood, according to National Bureau of Statistics [20]. The living standards of the rural migrants have also improved over the years substantially as well as the economic conditions in the rural areas which is encouraging factor to get the rural migrants to return in their area of origin. These changes are likely to alter the beliefs and opinions of the rural migrants about their settlement and their attitudes toward return returnee. The return migrants (returning to their hometowns) were majorly the focus of the various studies carried out in the context of China. According to such studies the return returnee is closely correlated with some particular socioeconomic attributes of the rural migrants [21]. For example, Wang and Liu observed that the return migrants are likely to be (mostly) the married or older or tend to have better education and solo migrants with the spouse tend to stay in their home village [22]. On the other hand, Liang, Li and Ma found that the inferiority on the social and institutional basis in the host society drives the need of returning back to the migrants and family needs are highlighted as another reason of return returnee. Generally, the uncertain conditions in the society hosting the migrants such as fewer job opportunities encourage the rural migrants to return. The concept or intention of family reunion also led them to decide to return to their home villages. The returnee, however, helps the rural migrants to gain knowledge and entrepreneurial experiences from the urban areas which ultimately benefits them in their entrepreneurial activities or their employment in their home towns which means a contribution in revitalizing the rural economies in less or underdeveloped regions [23].

Other than these, rural land in China itself is another driving factor for return migration. Wahba and Zenou support this notion, according to them land endowment encourages return migration in certain areas in China. They further found that if land resources are available, they also become a predictor for return migration. Additionally, the government can play a very prominent role by introducing policies that contribute to return migration [24]. For example, Liang has indicated that the rural migrants tend to maintain circular migration to counteract institutional constraints. They further stated that several anti-migrant policies promoted by the city governments increase the return migration’s rate somewhat. Although many researchers have found positive impacts of governmental rural polices on encouraging the migrants to return to their home villages [25].

All the researchers have found different causes and consequences of return migration but an intrinsic problem associated with the evaluation of return migration due to the biased selected sample of the return migrants. The sample in the studies usually gathered from the place of the origin of the rural migrants including those only who have either migrated or came back and have little information about the possible structural differences between the return migrants and those who haven’t. This problem can be solved in two ways. Firstly, through longitudinal research approach the life trajectories of the rural migrants can be examined as well as the factors driving return migration can be identified by following this research design because it allows a sufficient time span to carry out the research but this research approach
needs a prolonged data collection of the rural migrants based on the intrinsic mobile groups and this method usually covers a relatively small sample size. These shortcomings and difficulties, therefore, leads to the second research approach which is focused on examining the prospective migrant returns as compared to the actual returnees. It is simply aimed to determine the intentions of the rural migrants related to returning or staying though one cannot realize such intentions accurately and eventually [26].

Within the context of China, the phenomenon of return migration has been greatly considered and studied. Wu, Zhou and Wu found responsible Hukou system for the discriminatory urban policies that discourage the rural migrants to get settled in the urban areas. Additionally, the family obligations and needs also motivate them to return to their hometown. However, it is not necessary that the return migrants always go back to their home village when return. But they generally choose settling in any local city or town in the home region and closer to their rural hometown. Where the settlement in the urban areas provides the rural migrants to avail better employment opportunities and better living standards that is absent in their rural area, it also compelled the migrants to return due to family obligations such as to take care of the elderly family members are probably given the proximity of urban and rural homes. Living in the urban areas costs lower as compared to big cities that are another reason for the migrants to settle in the urban areas instead of cities [27]. The term ‘return’ is defined within the context of China-based researches on migrant workers as returning or going back to the home village but the problem related to the selection of the sample is that the studies only include those returnees who return to their home villages and do not include those who return to urban area in the home country that is also supposed to be the home in a broader sense. The decisions of the migrants related to the returning and settlement can be tremendously implied for the socio-demographic changes in the country as because due to the larger size of Chinese population they are likely to return to the numerous destinations in their home region rather going back to their home village [28].

In order to develop the countries, the entrepreneurship and human capital can act as the growth engines. However, the association between entrepreneurship and education has been given attention in the emerging economies but no study has concerned the return to education for entrepreneurs in the context of China. Hu’s paper was an attempt of filling this gap as his study examines the return to education for the entrepreneurs in the rural areas of China by employing a unique survey dataset based on return migrants. The education of women in China for instrumenting the schooling of their husbands has been used and the unique culture of male dominance of China has been exploited. The results of his study revealed after the endogeneity problem has been accounted that the return to one additional year of schooling for return migrant entrepreneurs in China ranges between 12.6% and 18.8% that is greater than the expected returns to education for the labor. The return to education for the employers was also found doubled as compared to the own-account workers in the rural China. The calculated return to one year of schooling for employers is between 14.5% and 26.1% but the own-account workers only fall in the range of 4.9% and 8.5%. It highlights the significance of separating the two groups while focusing the return to education for entrepreneurs. The results of Hu’s study are however not directly comparable to the estimations in the context of other countries because of different backgrounds and different methods used in the related studies [29].

Li, Zhang, Li, Zhou and Zhang also found that self-employment plays a key role in the development in the rural areas of China by using 20-year labor market dataset. Self-employment also impacts the performances of the individuals positively as compared to their wage-earner counterparts in rural China as well as the self-employed enterprises tend to be more profitable comparatively small-scale. The analysis of the factors or drivers that encourage self-employment for return migrants also indicate the positive influence of both tendency of job changes and repatriated savings during migration. These results show consistency with the general concept that migration experience helps in accumulating human and financial accumulation and that the choices of migrant returns for self-employment is an ultimate response to the constraints and opportunities during the whole process of migration. From the view of local development, the expected role of the migrants is about to stimulate forces of rural development through the gained experiences and financial capital in the process of migration. Hence the issue about forming a desired business environment that also includes simplified administrative policies encouraging the migrants for investing in the source regions through the repatriation of their financial capital still needed to be addressed [30].

Chen and Korinek found that the repatriated savings also cause the hurdles for rural people in overcoming the credit constraints that restrain the migrants to start their own small-scale business. In this way, the financial constraints create the basic issue for both return migrants and non-migrants desiring to get engaged in self-employment activities. That is
why there is more need of further efforts for giving local public a better accessibility to the credit facilities so that they can support, establish and develop small-scale businesses [31].

The results show the connection between return intentions and socioeconomic attributes as well as it suggests some significant but not similar motivating factors of both of the types or return migration discussed in the study. It was noticed that a greater portion of rural migrants have intentions to be rural returnees (48.9% of the total) as compared to their counterparts i.e. urban floaters by 28.3% and urban returnees by 22.8%. The portion of rural migrant population consisted on the prospective rural returnees seem to be most dissatisfied and least benefited with the circumstances of urban areas. It is because they mostly have lesser social resources, lower human capital and well-being as compared to their peers especially when they have to deal with the hurdles in settlement in the host city; they find their village of origin comparatively more safe resort. By investigating the rural migrants’ intentions in China the categorical migrants have been identifies such as the rural returnees, the urban floaters and urban returnees and their respective socioeconomic attributes have been contrasted [32].

On the other hand, the urban floaters are found more similar to the prospective urban returnees. Both of them seek to ensure a better life with better living standards in the urban areas despite of being attached to their originated place and obliged towards family which motivate the urban returnees to go back to their home town. Having homeownership in the urban area on one hand and family residence in rural area is one of the great factors that influence the intentions of both urban and rural returnees related to returning that indicates the significance of the assets in both of the regions. The existing studies or researches on the return migration are focused on the very narrowing definition of return – going back to the home town. In the current research such definition has been extended by including those migrants also who have intention of returning to any local town or city nearby to their home villages.

In addition, their intentions in the sense of settlement place represents the increased desire of the rural migrants to bring change in the typical migration model that is about making money in the urban setting and returning then to the rural village. For facilitating the mobility of the returnee people the policy reform is needed to further reduce the institutional barriers and it must contribute in narrowing the gap between living environment and economic vitality in different regions. Additionally, more distinctive, effective and responsive policies should be formulated for addressing the fact that all the rural migrants differ in their aspirations, desires and prospects for the future life. Government should broaden the channels that encourage social mobility and should also diversify for facilitating the agency of migrants having distinctive capabilities. There is a need of more equitable urban policies for allowing the rural migrants to mobile socially and thus a more flexible environment for migration can be ensured. It will help the rural migrants to become more geographically mobile for achieving their personal aspirations for getting a better life.

We strongly believe that Returning industry transfer is good for the economic growth in a country with the fact that RIT holds great effectiveness in economic growth. The effectiveness of RIT is comparatively more effective than traditional industry transfers in respect of its characteristics as smaller barrier, lowest cost, and stronger powers. Furthermore, RIT is supporting the economic growth by strengthening entrepreneurs as it poses more opportunities for them.

Returning industry transfer is a driving factor to bring innovation at the industry level. RIT appears as a source of bringing innovation as it supports the local entrepreneurs with returnee working that result in sharing of innovative knowledge, techniques and technologies. Subsequently, the writer Zhang Jian-hun has said organized a research on RIT and has concluded that RIT bring regional economic development by the means of innovative systems and ideology in terms of high-tech policy and ecological industrial environment development. RIT is a major factor to bring institutional entrepreneurship in an industry. In a research the writer Zhang Jian-Jun has discussed the advantages and disadvantages of RIT for institutional entrepreneurs and has described that no doubt RIT brings new opportunities for institutional entrepreneurs but at the same time, it also set new challenges for the local entrepreneurs by intensifying the market competition in which it becomes difficult for some entrepreneurs to survive [33].

No doubt that RIT and IE are major drivers of economic growth. Entrepreneurship and RIT are found as bringing new ideas to the market in terms of new techniques and technologies that introduce new ways of earning or resulted in improving the older one. Moreover, entrepreneurship creates new earning opportunities that reduce unemployment and reduce burden from the government therefore, the respondents view seems justifiable as RIT and institutional entrepreneurship positively influence the economic growth.

We believe that RIT is a major driver of rural revitalization. If the role of RIT is evaluated in terms of its impact on rural revitalization, then it seems supportive as RIT’s motive is feral growth by encouraging hometown investing and cluster developing. Further, it is well known that RIT focus on the local development by reducing production cost, smaller barriers, and providing opportunities to larger scale that all needed by a rural area to grow.

RIT brings innovation, reduce barriers, give access to the larger scale, reduce unemployment and support the economy by creating new job therefore, with all these factors, the respondents answer seems justifiable as RIT and IE reduce poverty in the society.

5. Conclusion

It is concluded from the above that in the modern time, a
country is required to empower its people to bring innovative ideas in the field of business so they can become able to start new businesses and play their role by supporting economy of the country. In this regard, the importance of the returning industry transfer has been growing for the stability and growth of economy. Returning industry transfer is a driving factor to bring entrepreneurial innovation in an industry. Not only has this but it also enhanced the pace of economic development and growth. The rapid globalization and technological advancements are causing transformations at industrial level in the form of higher production, migration of skills and knowledge and increased innovation. While the growth of institutional entrepreneurs is another major outcome of such transformation as entrepreneurship is an essential part of economic develop because it brings new ideas, open new doors, generate new jobs that overall not only reduce the burden from the economic but also robust economic development. Institutional entrepreneurship is also concerned with reducing the poverty levels in society. The lack of proper employment and poverty are among the major socio-economic challenges especially in developing and underdeveloped countries. The rural revitalization and development of majorly connected with the strength of entrepreneurial abilities of the people of a society.

References


