



# IMPACT OF START-UP UNITS ON EMPLOYMENT GENERATION IN INDIA

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**Abstract** – The problem of unemployment in India has been perennial since Independence and the primary reason behind it is the gap between the number of jobs available in India and the number of employable persons in India. The Government of India attempted to address the issue of unemployment in India with a variety of initiatives, plans, and policies, but to little avail. Entrepreneurship development programs have now become an important tool to eradicate unemployment and created new employment opportunities for youth after the Government of India announced the Startup India scheme on 15<sup>th</sup> August 2015. This paper intends to explore the impact of startup units on the creation of job opportunities in India. This paper mainly focuses on the reason behind unemployment in India and how startups can tackle this problem and create job opportunities, the reason for the failure of startups during the COVID -19 pandemic, and how startups encourage entrepreneurship and proved a boon as well as a bane during the pandemic.

**Keywords:** *Startup, Employment generation, Covid -19*

## 1. Introduction

India, as a developing nation, features a mixed economy in the world. In 1991, India embarked on a journey untraveled by it henceforth to reduce its economic restrictions and become liberalized. The New Economic Policy 1991 was

believed to be the panacea for all economic evils which would attract foreign investment. Along with foreign investment, increased participation by the private sector was also encouraged in the country. As a result of the coexistence of the public and private sectors and the country's reliance on foreign commerce, India is now seen as having a mixed economy. The development of industries is indispensable for the development of the country. The livelihood of almost 50% of the Indian labour force is based on agriculture. The economist (Sahoo, 2014) claims that India had more than 250 labour rules at federal and the state levels as of the year 2014 and that international manufacturers perceive Indian labor laws to be overly complicated and onerous in comparison to those of China and other nations that support manufacturing jobs.

India's primary societal problem, unemployment, has slowed the country's overall growth rate throughout the years. The State of India's Environment (SOE) in 2019 reports that India's unemployment rate quadrupled over the previous two years, which had a negative impact on fresh graduates. Research claims that during the past two years, the jobless rate has climbed from 4% to 7.6%. (May 2017 -April 2019). The unemployment rate in April 2019 was the highest it has been in the previous two years. This month had the highest rate for rural regions throughout the course of the whole time.



<p><b>7.6%</b></p> <p>Unemployment rate in April 2019, which was the highest in two years</p>	<p><b>1.9 times</b></p> <p>Increase in unemployment rate in the past two years</p>	<p><b>7.61%</b></p> <p>Rural unemployment rate in April 2019, which was the highest in two years</p>	<p><b>15</b></p> <p>Percentage point increase in unemployment rate in youth (20-24 yrs) in past two years</p>
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**Rise of the unemployed** | Both rural and urban unemployment rates have risen in the past two years

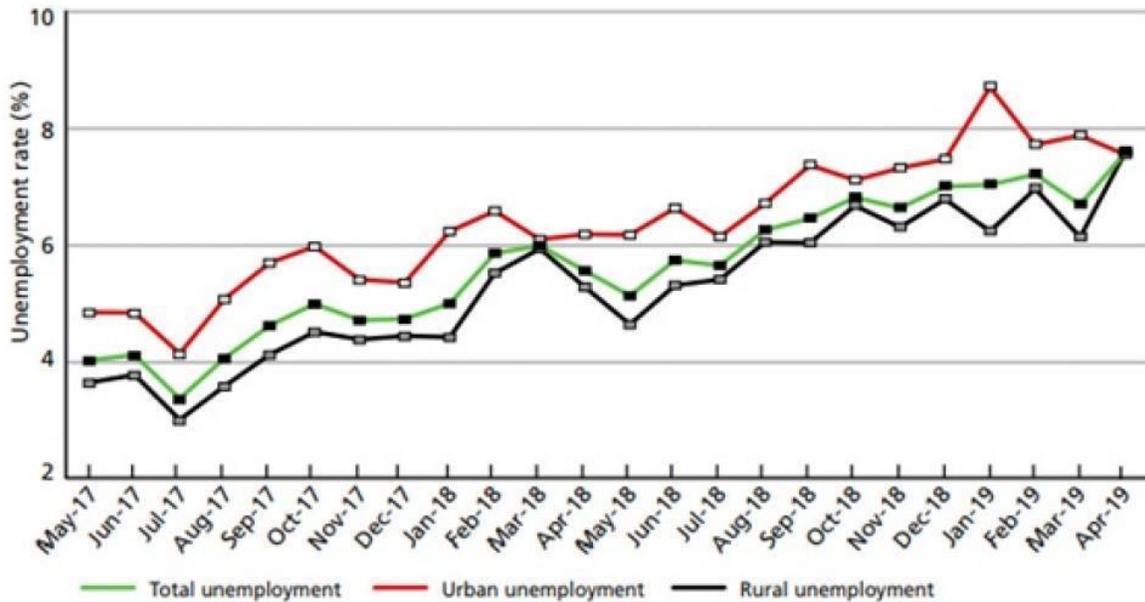
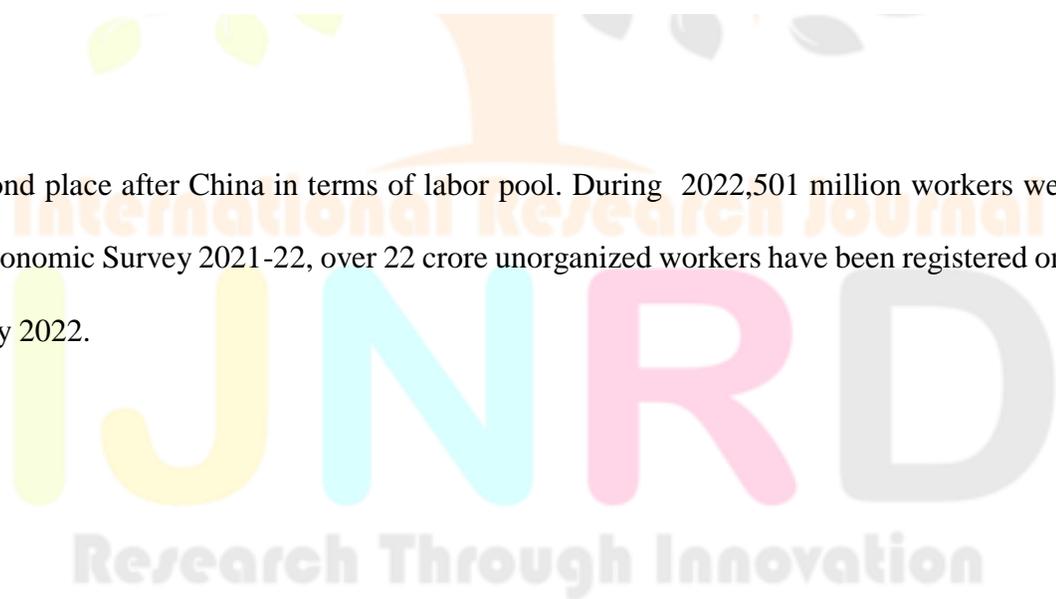


Figure: 1

India comes in second place after China in terms of labor pool. During 2022, 501 million workers were registered. According to the Economic Survey 2021-22, over 22 crore unorganized workers have been registered on the e-shram portal till 18 January 2022.



## UNEMPLOYMENT RATE AMONG EDUCATED

(in%)	2004-05	2011-12	2017-18
Rural male	4.4	3.6	10.5
Rural female	15.2	9.7	17.3
Urban male	5.1	4	9.2
Urban female	15.6	10.3	19.8

## STATUS OF PERSONS WITH FORMAL VOCATIONAL/TECHNICAL TRAINING

(in%)	UNEMPLOYED		NOT IN LABOUR FORCE	
	2011-12	2017-18	2011-12	2017-18
Male	5.7	13.8	22	16.4
Female	6.4	10.4	59.7	51.5
Overall	5.9	12.4	35.8	31

**SOURCE: NSSO**

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Research Through Innovation

Figure: 2

According to the National Sample Survey Organization, Figure (2) shows the unemployment rate among the educated in percentage (rural males, rural females, and urban females from the year 2004-05 to 2011-2012 till 2017-2018.

Figure (2) also shows the status of persons unemployed with technical training /formal vocational from 2011-12 to 2017-18.

According to weekly labor market research of CMIE, the COVID -19 epidemic had a negative impact on employment. India's youth employment rate rapidly decreased to 10.9 % in 2020-21 and 10.4 per cent in 2021–2022.

The economy's most labor-intensive industry is agriculture. In recent years, the population's reliance on agriculture has decreased, in part because of covert employment. A portion of the excess labor force from the agro-sector has shifted to the secondary or tertiary sector. Small-scale businesses or startups are the most labor-intensive in the secondary sector. In India, startups are reshaping the way that jobs are created.

A startup is defined as an organization that has been incorporated for less than five years, has an income of less than Rs 25 crore per annum, and focuses on developing, growing, deploying, or commercializing innovative goods or services that are sustained by technology or intellectual property. (Graham, 2012) states that a startup is a company designed to grow fast.

## 2. Literature Review

Although Startups in India have emerged recently, we have tried to capture the essence of a few of the recent publications. (Sharifi & Hossein, 2015) in their publication covered the financial resources available to Indian entrepreneurs as well as the primary challenges they encountered. The main conclusions are that investors have raised the bar for how much groundwork entrepreneurs must perform before promoting their business as a result of the technical divide. (Jain, 2018) by contrasting the policies of various nations and states to determine which one is most viable, tries to provide the fundamental points of interest to situate the current startup environment, which is innovative, within the Indian context and highlights some of the related challenges faced by India today. He also illustrates the efforts made by the Indian government to improve innovation for the development of the startup ecosystem.

(Korreck, 2019) investigates the current state of the Indian startup ecosystem in her article with three goals in mind: to give insight into the growth drivers and motivations of Indian company founders, to identify the challenges these businesses are encountering, and to identify the structures that support them. (Kuckertz et al., 2020) suggested in their research paper, policy measures to tackle entrepreneurial crisis management because of the Coronavirus (SARS-COV -2) and various challenges faced by innovative startups during the COVID -19 lockdown.

According to the report of the Ministry of Statistics Programme and Implementation (MOSPI), the unemployment rate in all ages including males, and females, and all India persons increased from 8.7% in January 2020 to 9.4% in January -March 2021.

### 3. **Objective of the study**

The study aims to examine the impact of startup units on the creation of job opportunities with reference to India.

### 4. **Need for employment generation in India**

According to the most recent assessment from the Population Division of the United Nations Project, India would have 141.2 crore people, making it the second most populated nation in the world after China. India is experiencing a serious shortage of jobs, which, according to the most recent Asia Pacific Human Development Report, will continue for the next 35 years. Employment opportunities are expanding in India, but the country's expanding population results in a situation where the unemployment rate exceeds the employment rate. The country's flawed educational system, which places more emphasis on academics than on technical and vocational training, also contributes to the rise in unemployment. Employment opportunities are expanding in India, but the country's expanding population results in a situation where the unemployment rate exceeds the employment rate. The country's flawed educational system, which places more emphasis on academics than on technical and vocational training, also contributes to the rise in unemployment. Compared to work in the private sector, federal, state, and PSU positions are preferred in India. Several students spend many years preparing for government positions rather than finding employment in the private sector, which results in many years of inactivity. Economic growth that does not result in the creation of employment is referred to as jobless economic growth. This is yet another important element causing unemployment.

### 5. **Review of Startups Policies in India and in the context of Uttar Pradesh**

India has one of the worst unemployment rates in the world, which is preventing our country's economic progress. Since gaining its independence, the Indian government has made great efforts to combat unemployment by enacting several employment-creating programmes, including the Prime Minister's Employment Generation Program (PMEGP), the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Swarna Jayanti

Shahari Rojgar Yojna (SJSRY), and others. An ideal solution, however, was not possible since the rate of population growth outpaces the rate of work prospects. Therefore, STARTUP INDIA was a government of India's effort to address the issue of unemployment. An ideal solution, however, was not possible since the rate of population growth outpaces the rate of work prospects. Therefore, STARTUP INDIA was a government of India's effort to address the issue of unemployment. During his speech on August 15, 2015, Indian Prime Minister Shri Narendra Modi declared a certain Action Plan. In recent years, over fifty startup programmes have been introduced by the Indian Government. Each programme seeks to hasten the development of the Indian startup ecosystem in order to foster innovation and provide numerous job possibilities. The Action Plan has 19 Action items, including topics like simplification and assistance, funding support and incentives, and industry-academia collaboration and incubation.

To assist startups and MSMEs in India, the Government of India and the Ministry of Micro, Small, and Medium Enterprises have introduced several government initiatives and programmes. Government vision is to accelerate the GDP of India to reach 50% by 2024 through the contribution of MSMEs from the current 29% and provide employment to 15 crore Indians.

In Uttar Pradesh, the local culture is very supportive of entrepreneurship. The Uttar Pradesh Start-Up Policy 2020 was launched to establish at least one incubator in each of the state's 75 districts and 100 incubators overall. This will result in the creation of direct employment opportunities for 50,000 people and indirect employment opportunities for 1,00,000 people in the state.

## **6. Start-up's contribution to employment generation**

India is oppressing a lot of other nations. Startups are crucial because India has to be self-sufficient in every industry, including technology, health, and education. The Indian Government has adopted many initiative that attempt to reduce the business climate for startups. According to studies, India needs 10 million new jobs per year. However, startups, not giant corporations, are the ones that create employment worldwide since they are not affected by economic downturns and obstacles, and can thus employ a larger workforce. Startups are regarded as the epicenter of innovation and a fantastic strategy to increase the creation of jobs in the economy. A far better economy is developed when there is more employment created since more money for individuals is produced. When people have money to spend, it is distributed across the Indian market, increasing the government's revenue. Numerous foreign

corporations keep tabs on the development of Indian startups, and they are prepared to spend capital that makes a firm wealthy and boosts output, which benefits the Indian economy. When starting a firm, many entrepreneurs always choose to do it in India, which improves employment chances. In addition to creating job possibilities, startup schemes can offer other forms of aid (financial and non-financial assistance) to help individuals become self-employed and encourage young people to join in bringing their original ideas and skills to research and development projects.

The fifth-largest economy in the world now depends heavily on startups for economic growth. India's youthful, creative brains are capable of catalyzing a boom in the unicorn sector. Entrepreneurs and entrepreneurs are enlisting a vast and skilled Indian populace that is capable of outperforming them in practically every industry. Silicon Valley, which is overrun with Indian talent, is a good example of this. India, one of the world's greatest startup centers, has contributed positively to the improvement of the job situation in the nation. According to Trading Economics, India is gradually moving toward better and lower unemployment rates. The unemployment rate was around 8.3 percent in July 2021. While the percentage dropped to 7.7 percent in October 2021. On the other hand, it was around 8.1 percent in January 2022. However, the percentage fell to 7.8% in April 2022. The unemployment rate was around 8.3 percent in July 2021. While the percentage dropped to 7.7 percent in October 2021. On the other hand, it was around 8.1 percent in January 2022. However, the percentage fell to 7.8% in April 2022.

Numerous hotels, homestays, restaurants, and transportation companies will open when the infrastructure is changed, which indirectly offers many work possibilities and raises the income of the city's residents. Many auxiliary services for startups such as registration companies, marketing companies, and human resource companies, also generate employment. Startups are the result of the cultural development that we have been going through during this period. India is a country full of opportunities. Consumers are willing to spend money if they get useful products and services. Today, people are paying for online orders because it is convenient, which was impossible a few years ago.

## **7. Effects of COVID -19 crisis on startups**

The COVID -19 pandemic lockdown in March 2020 not only put a stop to daily activities but also had a significant negative impact on most economic activities, placing a heavy financial burden on many migrants and daily wage workers like the countless Indian workers who lost their jobs as a result of the strict lockdown and were left penniless and forced to walk thousands of miles home, many of whom perished in accidents on the way.

a decrease in India's GDP expectations due to COVID-19 and the cessation of business and commercial operations. In the middle of this, many professionals adopted working from home as the new standard. All facets of the economy were affected by the immediate and long-term job disruption caused by the epidemic. 40 percent of Indian IT firms had to cease operations, according to the NASSCOM research.

However, on the other side, Indian startups played an important role in socializing, democratizing, and accessibility of healthcare. For instance, Kerala startup Mission incubated startup develops devices to reduce the circulation of COVID -19 in the air. Pune- based startup developed masks that inactivate novel coronavirus particles that come in contact with it.

Through creative business strategies and considerate cooperation, Indian startups assisted rural communities in 2021 by working with smaller towns and villages during the COVID -19 epidemic. In April 2021, the Anantapur district of Andhra Pradesh saw the founding of Karry Now, a company to provide a continuous line of transportation between villages and surrounding towns after seeing residents in nearby areas struggle to get daily necessities during the epidemic. Karry Now developed rapidly, and since its founding, the firm has worked with 130 towns around the state. The Hyderabad-based cybercrime firm Cyber Jagrithi had been educating Telangana's rural communities about general digital hygiene, vaccination disinformation, the propagation of false information about COVID-19, and the rise of online fraud.

## **8. Present prospects of Startups in India**

Considering the present scenario, and the growth of startups, India has risen to be the third-largest startup ecosystem in the world in just five-six years. The Indian startups are scripting history and have astonished the whole world in a very short period. More than 50% of startups now are found in Tier 2 and Tier 3 cities, and their numbers are growing daily. Startups are no longer just found in urban areas. According to the Economic Survey 2021–2022, the Department for Promotion of Industry and Internal Trade has acknowledged approximately 61,400 startups in India, with at least 14,000 of those companies occurring within the fiscal year 2022 alone. In the last few years, a few sectors like Fintech, and SaaS are maturing while many new sectors like ed- tech, and health -tech are emerging.

## 9. Future implications

Considering the positive aspects of startups like generating employment opportunities, ease of doing business, increasing the GDP of the economy, and other aspects, startups will determine India's future which in turn will determine the world's future economy. According to the report of the Economic Survey 2021-2022, at least one new company was set up in around 555 districts of India, illustrating the sharp increase in the number of startups over the past six years, particularly a large increase in IT-based businesses. The Survey also highlighted India's potential for companies in space technology. The survey claims that from 11 companies in 2019 to 47 startups in 2021, the number of space technology firms has increased. While the COVID-19 pandemic brought to light the severe digital divide that exists between urban and rural India, technologists (startups, incubators, and Big Tech) have been working hard with neighboring regions to close this gap, which is why India was named the third largest startup ecosystem in the world after the United States and China. Just this year alone, Indian startups secured a record US\$36 billion in funding. It may be concluded that the startup culture is prospering and won't be disappearing anytime soon as a result.

## 10. Conclusion

The startups want to transform India from a nation of job searchers into a nation of "job creators," altering Indian culture. Startups turned out to be both a blessing and a curse. On the one hand, startups are a useful tool for encouraging individuals to become independent and self-employed, but on the other hand, many people have quit their employment in order to take advantage of startup opportunities to increase their income and leave their 9 to 5 jobs. Some startups have prospered and are growing rapidly, but many others have failed, notably during the COVID-19 epidemic, since they were unable to cope with the intense competition. Without question, startups are revolutionary steps. Even while the scheme's good benefits have not yet been noticeable, in the long run, they may prove to be more successful in addressing the unemployment problem. In order to make the startup plan more useful for potential entrepreneurs, attention must be paid to the plans and policies of startup schemes.

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