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## OPPORTUNITIES AND CHALLENGES FOR INDIA'S EMPLOYMENT GENERATION AND ENTREPRENEURSHIP DEVELOPMENT

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### ABSTRACT

One of the main goals of the government is to ensure that everyone has a respectable level of living. One of the best strategies to address this issue is to create jobs that are productive. Nevertheless, India has not been able to produce the appropriate number of jobs during the structural reform era in recent decades. It is imperative that entrepreneurship develop quickly in order to address the unemployment issue. It has an impact on the nation's economic development's composition, pattern, and speed. To fully achieve India's potential, we need a competitive and productive MSMEs sector as well as fresh start-ups. Growth achieved through an entrepreneurship-led strategy will not only boost GDP but also generate jobs, which is crucial for a nation like India. India has no trouble meeting demand.

Our enormous domestic demand is primarily met by imports. It takes entrepreneurship to satisfy our own needs. India has a chance to gain a competitive edge in production through a variety of start-ups thanks to the demographic dividend, but a working population lacking in skills stands in the way. We can overcome this obstacle if we plan our workforce properly. Both positive and negative effects of entrepreneurship can be seen in the advancement of technology, industrialization, rural development, export promotion, and other areas. The government has made an effort to spur the nation's entrepreneurial growth, but there are still numerous obstacles along the way.

Thus, in the wake of the start-up, stand-up India, and make in India programs, an effort has been made to research the ramifications of the most recent legislative changes regarding entrepreneurship as well as numerous concerns and challenges in India. According to the study, governments have placed a lot of emphasis on skill development in order to benefit from the demographic dividend. Providing a proper environment and implementing strategies effectively remain challenging tasks. Based on secondary data from the MoF, the CMIE, the annual economic survey report, and the Ministry of MSMEs.

**Keywords:** Entrepreneurship, Employment, Start-Up, Demographic- Dividend.

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### I. INTRODUCTION

It has been realized that the growing significance and visible impact of Entrepreneurship in wealth creation and employment-generation in the world arena which compels to us to think about its critical role to India's growth and development at new way. Although, we have emphasized entrepreneurship development in country especially after the new economic reforms. But due to lack of robust business environment, we have not succeeded much as it was desired. Its benefit cannot be ruled out for a country like India that has huge 'reserve army'.

The National Knowledge Commission (NKC) defines entrepreneurship as "the professional application of knowledge, skills, and competencies and/or the monetization of a new idea, by an individual or a group of individuals by launching an enterprise de novo or diversifying from an existing one, thus to pursue growth while generating wealth, employment, and social good." This definition differs from seeking self-employment as in a profession or trade.

A country's economic prosperity is accelerated by entrepreneurship, which creates jobs, boosts national income, develops rural areas, industrializes, advances technology, promotes exports, and other factors. The Indian government has periodically launched a number of initiatives to promote entrepreneurship there. Nonetheless, research indicates that a variety of issues that entrepreneurs encounter hinder the expansion of

entrepreneurship. The Indian government felt the need to start a new round of policy reforms in order to address these issues, and these changes have produced a notable improvement in recent years.

For this reason, entrepreneurship is regarded as a key factor in the growth of our nation's business environment. India's population force has to be transformed immediately into "job creators from job seekers." Thus, the primary goal is to examine the growth of entrepreneurship in the nation in order to change economic policies, turn the economy into a hub for startups, and enable competitive Indian entrepreneurs to perform and steer the economy.

## II. LITERATURE REVIEW

While a great deal of research has been done in developed nations to understand the impact of entrepreneurship on economic development, little of it has been done in India. Some of them draw attention to the various facets of entrepreneurship, such as how, depending on priorities and the stage of market reform, entrepreneurs contribute to economic development in terms of job creation, innovation, and external income generation (Smallbone and Welter, 2001). The authors recommended providing SMEs with immediate assistance to help them get through current obstacles and increase their potential for expansion. Similarly, Carland and Carland (2004) investigated how entrepreneurship affected American employment and economic growth. They discovered that during the 1990s, businesses with fewer than twenty workers had the biggest influence. They made the argument that the company has a lot of potential for future financial growth. Additionally, they recommended that any changes to economic policy should be made specifically to encourage entrepreneurship. When discussing the state of the developing economy, Naudé (2008) emphasized the critical role that entrepreneurship plays in fostering the transition from a largely traditional and agrarian economy to a modern one. Innovation drives growth, and in developed nations, this increases productivity. The amount and caliber of entrepreneurship are determined by self-employment, startup, and the credit market. They discovered that a lack of entrepreneurship contributes to both economic stagnation and even gaps in development. However, Liu, Burrige, and Sinclair (2002) looked into the relationships that causally affect trade, economic expansion, and foreign direct investment into China. Naudé (2008) underlined the vital role that entrepreneurship plays in fostering the shift from a largely traditional and agrarian economy to a modern one when talking about the state of the developing economy. Growth is fueled by innovation, and in developed countries, this raises productivity. The amount and quality of entrepreneurship is influenced by startup, self-employment, and credit availability. They found that gaps in development and even economic stagnation are caused by a lack of entrepreneurship. On the other hand, Liu, Burrige, and Sinclair (2002) investigated the causal relationships influencing trade, economic growth, and foreign direct investment in China. King and Levine (1993) discovered in the same line of inquiry that the financial system has four effects on entrepreneurial activity.

### Financial systems:

1. Select the most promising projects following evaluation;
2. Assist in raising capital;
3. Enable investors to diversify the risk associated with uncertain innovative activities; and
4. Incentivize innovation in comparison to the validation of preexisting knowledge. A stronger financial system encourages increases in per capita output and productivity. They imply that long-term growth may be significantly impacted by government policies regarding the financial system.

### Objective of Study:

1. To research the function and significance of entrepreneurship in India's growth and job creation.
2. To research India's current state of entrepreneurship development
3. To research the prospects and difficulties associated with India's entrepreneurship development

## III. METHODOLOGY

### Data Sources

The role and significance, opportunities and challenges, present situation, and future prospects of entrepreneurship development have all been examined in this paper, with a focus on growth and employment in India. To gain a deeper comprehension of the effects of India's entrepreneurship development, the study

employed the theoretical econometric method along with trend and SWOT analysis. Research based on secondary data from the Economic Census of India (ASI), the Ministry of MSMEs, and the CMIE, the annual Economic Survey report.

#### IV. ANALYSIS

##### Techniques of data analysis

Regression analysis was used to determine how the dependent and explanatory variables related to each other. The Ordinary Least Square (OLS) method suggests estimating the co-efficient numerical estimates in various equations.

##### Model specification

The functional relationship between employment generation and entrepreneurship development specially registered manufacturing sector in India-

$$NOE = F (NOF, GFCF, VOO \text{ etc})$$

Where NOE is total number of employees; NOF is total number of firms; GFCF is gross fixed capital formation; VOO is value of output. All variables are in respect to industrial establishment in India.

##### Econometric model

$$Gw \text{ NOE} = \beta_0 + \beta_1 Gw \text{ NOF} + \beta_2 Gw \text{ GFCF} + \beta_3 Gw \text{ VOO} + e_t$$

Where Gw represent percentage growth of variables. Dependent variable is number of employees ( NOE) and number of firms (NOF), gross fixed capital formation (GFCF), value of output produce by registered manufacturing in India.

**Table 1: Result**

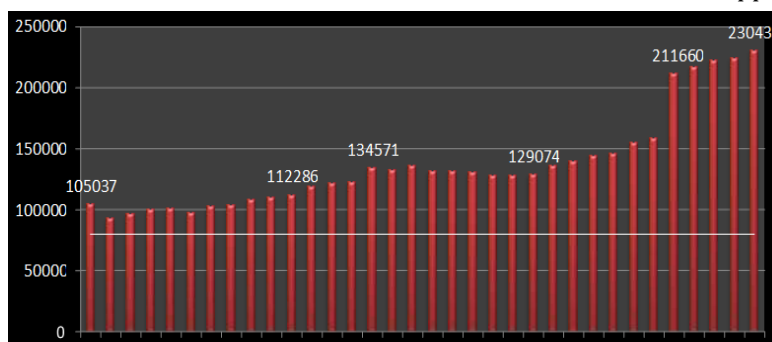
Variables	$\beta$ - value	t- value	p- value	Level of significant
<b>GW OF NOE</b>	<b>0.031</b>	<b>0.39</b>	<b>0.57</b>	<b>not significant</b>
<b>GW OF NOF</b>	<b>0.21</b>	<b>0.47</b>	<b>0.63</b>	<b>not significant</b>
<b>GW OF GFCF</b>	<b>-0.001</b>	<b>-0.021</b>	<b>0.98</b>	<b>not significant</b>
<b>GW OF VOO</b>	<b>2.24</b>	<b>-1.63</b>	<b>0.10</b>	<b>not significant</b>
C	-3.05157	-2.311	0.082	<b>not significant</b>

Source: Author's Calculation

#### V. FINDINGS

I used the ADF test to verify the data's stationarity. The data sets exhibit stationarity; however, the null hypothesis is rejected, leading to an insignificant relationship between the growth of NOE and the growth of NOF, GFCF, and VOO. As a result, we must examine the growth of entrepreneurship in India using statistical graphs, which are described as follows.

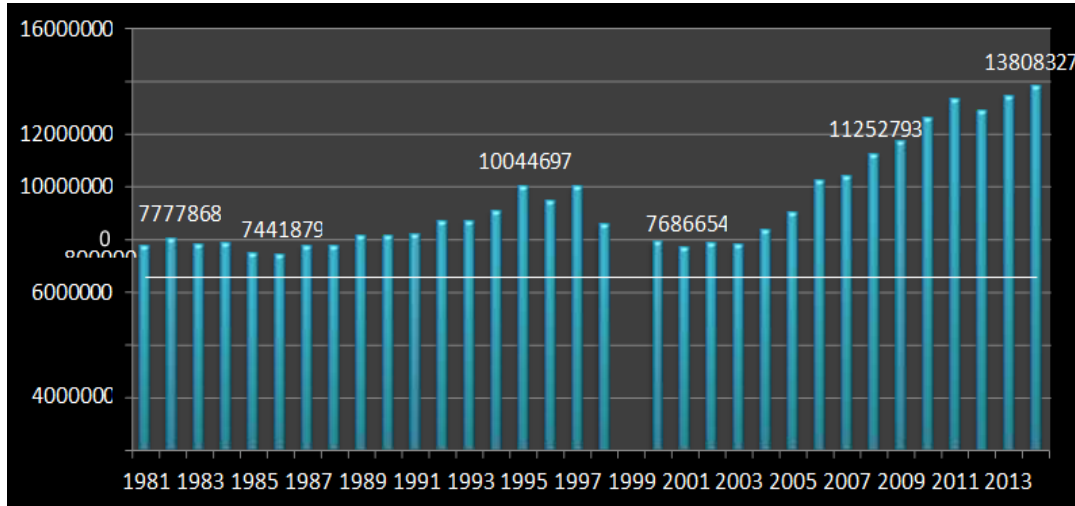
The primary source of industrial statistics in India, offering details on significant aspects of the registered manufacturing sector, is the Annual Survey of Industries (ASI). The number of firms has increased over time, according to ASI data. There were 1,05,037 manufacturing companies registered in total in 1981, creating 77,77,868 jobs. A minor increase in the number of businesses in 1991—1, 12,286—supported 81, 93,590 jobs.



**Figure 1:**

**Source: ASI**

Thanks to policies and initiatives especially by Janta Government was important factor. The number of industries increases till 1995 and remains constant three years till 1997. But, after that growth of industries stagnant till 2009 this may be due to globalization that affects

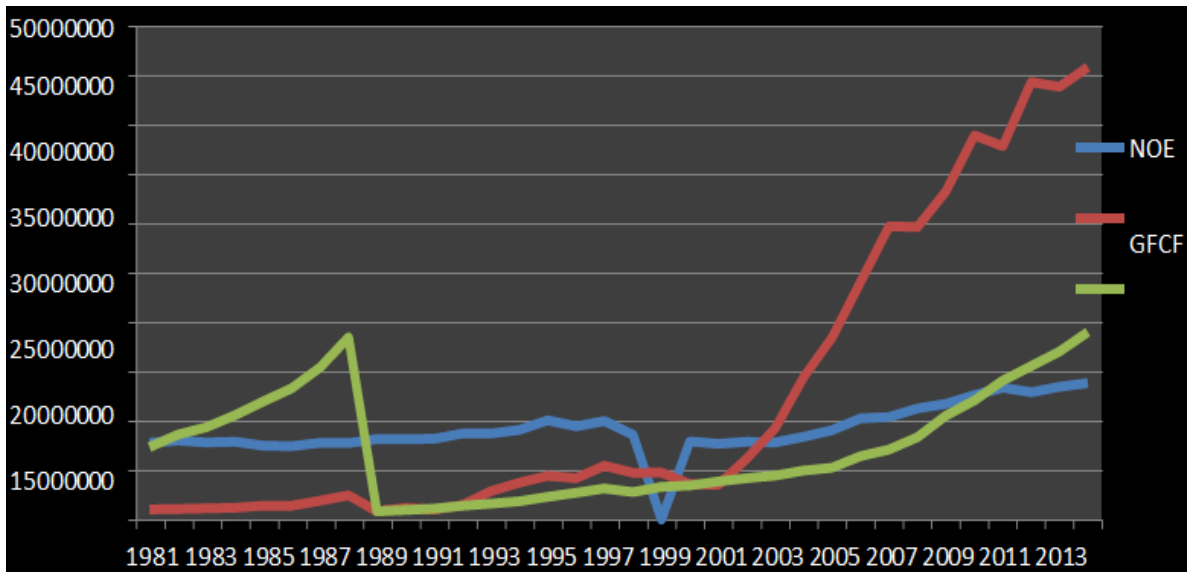


**Figure 2:**

MSMEs sector. Since 2010, it gains momentum and rises to 2, 11,660. The number of firms increases to 2, 30,435 in 2014-15 and contributed in employment by 1, 38,08,327. The number of firms and employment generation both shows upward linear trends that means both has been increasing over the years although this is not satisfactory at the point by Indian requirement to increase share in GDP and employment generation. See the **figure 1 & 2**. The successive government has been focused continuously on MSMEs sector. This sector has critical importance to not only contribute in GDP but also has immense potential to create jobs.

**Source: ASI**

Note- data is not available for 1999.



**Figure 3:** Relationship between NOE, GFCF and VOO.

**Source: ASI**

The number of employees depends on primarily two factors. One is gross fixed capital formation and value of output. If both increase, employment generation also increases. Since 2001, gross fixed capital formation increases exponentially. And the value of output increases less exponentially since 1989. However, average employment remains stagnant in terms of employment elasticity. This story is display by figure-3.

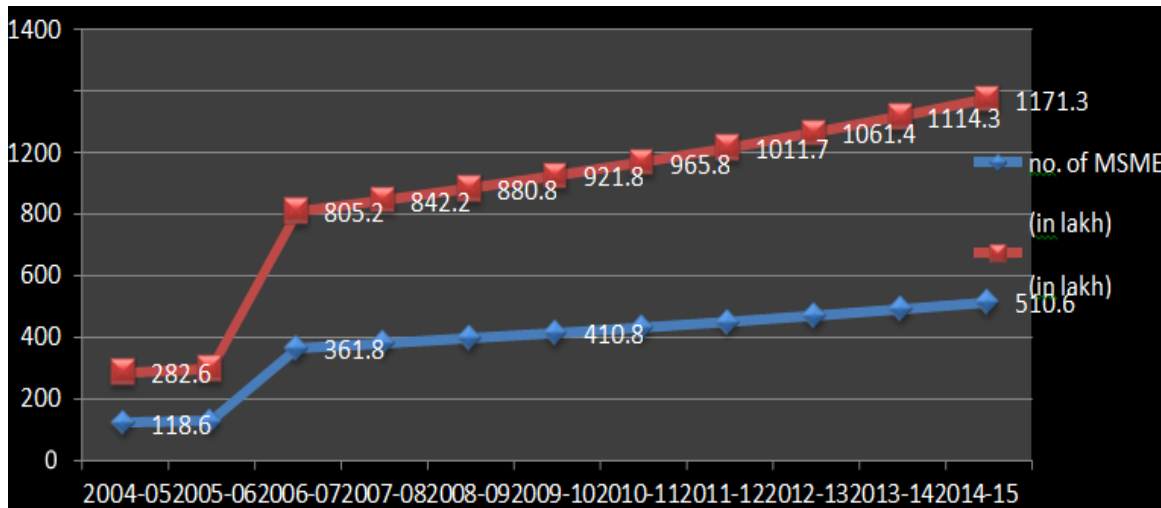
The total number of units in the SSI sector stood at 118.6 lakh in 2004-05 and this number rose to 361.8 lakh in 2006-07, significantly. The total number of MSMEs units increases slight upward linear and reaches 510.6 lakh units in 2014-15. In 2014-15, the MSME sector contributed 7.0 per cent of GDP and 37.3 percent of manufacturing output. The SSI sector employed 282.6 lakh people in 2004-05 and this number rose to 805.2 lakh people in 2006-07 after big boost by MSME act 2006. Employment in the MSME sector stood at 1011.7 lakh in 2011-12 and this increased to 1, 171.3 lakh in 2014-15. As it is clear from figure-4.

Within the manufacturing sector itself, small and decentralized sector contributes about four-fifths of manufacturing employment in India. Given the acute unemployment problem in India, creation of employment opportunities will depend crucially on the development of the small- scale and cottage industries as it is more labour intensive sector.

**Opportunities and Challenges**

There are certain psychological challenges such as one; family challenges- convincing to opt for business over job is not an easy task for an individual. People are more eager to jobs especially public sector. The most of the young creative energy is consumed by civil services exams especially in north India. Second is a social challenge, which further affects the thinking of student. Traditional attitudes are obstacles in the way.

Technological challenge is another concerning issue- our education system, which does not impart professional skill and technological knowhow, we are net consumers of knowledge also. That is only during the exam. Financial constraint is another big hurdle to credit facility. Financial and technological challenges are a different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go with funding from small to medium business people. Many such non- technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. Policy constraint is another challenges- there is limited scope for the government to provide subsidies etc due to international agreements and protocols. Instead of this, business environment, raising equity capital, availability of raw materials, outdated technology and increased pollutions ecological imbalance are another issue to flourishing entrepreneurship development in India.



**Figure 4:** Current scenario of MSME sector

**Source:** Ministry of MSME

But there are also many other opportunities for entrepreneurship, like unrestricted access to international trade, enhanced capacity to take risks as a result of efficiency and competition, The promotion of inventions and innovations, increased government support for international trade, the creation of other national and international institutions to facilitate international business, specialization, and the advancement of social and cultural sectors are all major drivers of the growth of entrepreneurship in India. The nation's government is dedicated to fostering entrepreneurship. Funds, initiatives, persuasions, and policies have been allocated. The government's ambitious initiatives, such as MUDRA Bank, Stand Up India, and Start Up India, are in contrast to the numerous other programs currently in place.



## VI. CONCLUSION

A stable business environment, market oriented reforms like raising of FDI cap, and key initiatives like Make in India and digital India are fostering a new aspiring and ambitious Indian. Still we need a comprehensive action plan by the government to address the issues of finance and credit, infrastructural bottlenecks, tariffs structure, technological constraints and market availability etc. without giving a basic idea I emphasized earlier report which recommendations are not fully operational. To mention a few, in the S.P Gupta "Special Group Report on Targeting 10 million Employment Opportunities Per Year" (2002) recommended "appropriate programmes should be launched to increase entrepreneurial capabilities and skill for self-employment." Montek Singh Ahluwalia "Report of the Task Force on Employment Opportunities", July 2001 also mentions about developing entrepreneurship ability among the newly self-employed. The Report even recommends entrepreneurship training for the informal sector. To quote, "A large part of the employment generated by the economy will be self-employment in the informal sector. These self-employed entrepreneurs need training of the multi-skill variety, going beyond production skills to include marketing, finance and accounting and elementary management. Such skills cannot be developed through structured formal training but requires the guidance of "mentors" in actual business conditions".

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