

Entrepreneurship Development and Employment Generation in India: Opportunities and Challenges

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Abstract

To provide decent living standard to everyone is an important objective of the government. Creation of productive employment is one of the effective ways to tackle this issue. However, India has failed to create desired level of job in recent decades during the structural reforms period. Rapid entrepreneurship development is need of hour to solve the problem of unemployment. It affects composition, pattern and pace of economic development in the country. We need competitive and productive MSMEs sector and new start-ups to realize the potential of India. Growth through entrepreneurship-led strategy will not only contribute in GDP but also create employment that is very important a country like India. Demand is no problem for India. We have huge domestic demand which majorly fulfilled by import. Entrepreneurship is essential to fulfill our own demand. Demographic dividend is an opportunity for India to take competitive advantage in production through various start-ups, but skill deficient working population is an obstacle in this path. We can overcome this challenge through proper manpower planning. Entrepreneurship has forward and backward effects on rural development, industrialization, technological development, export promotion etc. Nevertheless, government has attempted to revitalize entrepreneurship development in country but it is still faces many challenges. Therefore, an attempt has made to study the implications of the recent policy reforms of entrepreneurship and various issues and challenges in India in the wake of start-up, stand- up India and make in India programme. The study found that governments has given much attention on skill development to reap the benefit of demographic- dividend. Effective implementation and to provide suitable environment is still a difficult task. Study based on secondary data obtained from the Ministry of MSMEs, the MoF, and the CMIE, the annual economic survey report.

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

Introduction

It has been realised 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'.

Entrepreneurship, as defined by National Knowledge Commission (NKC), is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good'.

Entrepreneurship acts as a catalyst for the economic prosperity of a nation as it leads to generation of employment, contribution in national income, rural development, industrialization, technological development, export promotion etc. In India, the government from time to time for entrepreneurship development in the country has taken various initiatives. However, literature reveals that entrepreneurs face a number of problems that obstruct the growth of entrepreneurship. To meet these challenges, a need was felt by government to initiate a new set of policy reforms in India that has led to a remarkable improvement in recent years.

That is why entrepreneurship is considered a prime mover in development of our country to boost up business ecology. This is need of hour to transform India's demographic force into 'job creator from job seeker'. Therefore, the main objective is to study the entrepreneurship development in country to reform economic policy, to transform economy in start-up hub and to perform and lead economy by competitive Indian entrepreneurs.

Literature review

There is extensive research done to understand the effect of entrepreneurship on economic development in developed countries but it is rarely done in India. Some of them highlight the different aspects of entrepreneurship such as entrepreneurs contribute to economic development in terms of job creation, innovation and external income generation, as concluded by **Smallbone and Welter (2001)**, depending upon priorities and different stage of market reform. The authors suggested direct support to SMEs to overcome immediate difficulties to strengthen their potential for development and growth. likewise, **Carland and Carland (2004)**

studied the impact of entrepreneurship on employment and economic development of United States. They found that firms with less than twenty employees have greatest impact for the decade of 1990's. They suggested that the firm has great potential for future economic development. They also suggested the economic policy changes should be in line specifically to boost entrepreneurship. On focusing the state of developing economy, **Naudé (2008)** highlighted that Entrepreneurship has important role to play in fostering from a predominantly traditional / agrarian economy to modern economy. With innovation, driven growth productivity is increased in advanced countries. Self-employment, startup and credit market determine quantity and quality of entrepreneurship. They found that low entrepreneurial activity contribute to economic stagnation and even developmental gap. On the other hand, **Liu, Burridge, and Sinclair (2002)** had investigated the causal links between trade, economic growth and inward foreign direct investment in china. With quarterly data long run relationship found between growth, export, import and FDI. The author finds bidirectional causality between economic growth, FDI and export that reinforce open door policy. Development of banking institution is another important component as focused by **Leff (1978)**, which allows firms to obtain formal finance promoting entrepreneurship. In addition, the improvement in the flow of communication among firms, reduced cost of gathering information and facilitating the diffusion of technological and managerial expertise promote entrepreneurship. In the same queue, **King and Levine (1993)** had found that financial system affects the entrepreneurial activity in following four ways (a) financial system choose the most promising projects after evaluating (b) financial system help in mobilizing of funds (c) financial system allow investor to diversify the risk associated with uncertain innovative activities (d) financial system reward to engage in innovation relative to confirmation of existing knowledge. Better financial system stimulates foster productivity growth and growth per capita output. They suggest that government policies toward financial system may have an important causal effect on long-term growth.

Objective of Study

- To study the role and importance of entrepreneurship with respect to growth and employment generation in India.
- To study the current scenario of entrepreneurship development India
- To study the opportunities and challenges of entrepreneurship development India

Data Sources and Methodology

This paper has been analyzed the role and importance, opportunities and challenges, current scenario and future prospects of entrepreneurship development especially in respect to growth and employment in India. The work has used theoretical econometric method for better understanding of the consequences of

entrepreneurship development in India and done trends and SWOT analysis. Study based on secondary data obtained from the Ministry of MSMEs, the ASI, the Economic Census of India, and the CMIE, the annual Economic Survey report.

Analysis

Techniques of data analysis

The regression model employed to establish the relationship between explanatory and dependent variables. The Ordinary Least Square (OLS) technique implied to estimate the numerical estimates of the coefficient in different equation.

Model specification

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

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

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

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

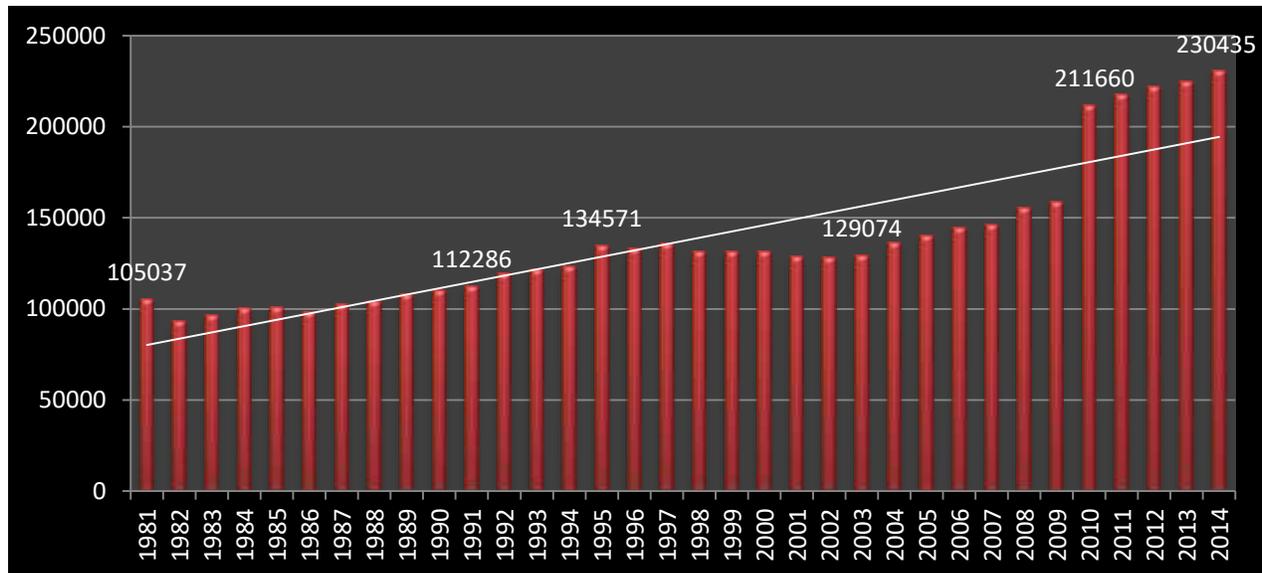
Where Gw represent percentage growth of variables. Dependent variable is number of employees (NOE) and number of firms (NOF), gross fixed capital formation (GFCF), value of output produce by registered manufacturing in India.

TABLE-1: Result

Variables	β - value	t- value	p- value	Level significant of
GW OF NOE	0.031	0.39	0.57	not significant
GW OF NOF	0.21	0.47	0.63	not significant
GW OF GFCF	-0.001	-0.021	0.98	not significant
GW OF VOO	2.24	-1.63	0.10	not significant
C	-3.05157	-2.311	0.082	not significant

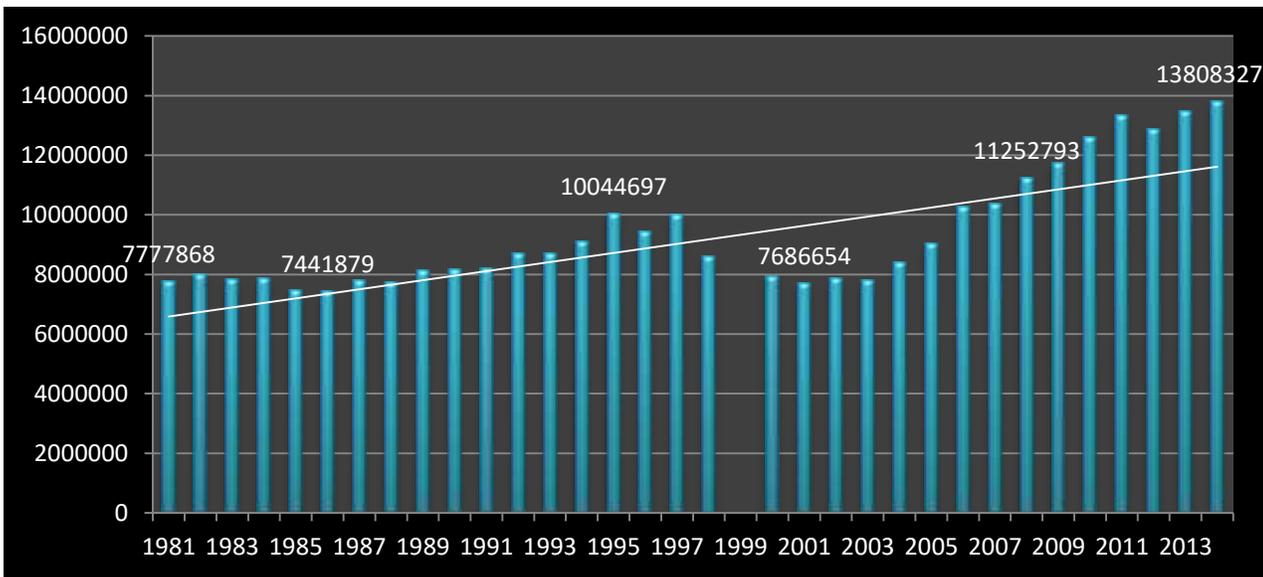
Source: Author's Calculation

Findings: I have checked Stationarity of the data through ADF test. Data sets are stationary but the relationship between the Growth of NOE and growth of NOF, GFCF, and VOO are insignificant because null hypothesis rejected. Therefore, we need to study the entrepreneurship development in India through statistical graphs that is explained as following.

Figure-1: trends in number of firms during the study period.**Source: ASI**

The Annual Survey of Industries (ASI) is the principal source of industrial statistics in India providing information on important characteristics of registered manufacturing sector. According the ASI data, number of firms increases over the years. In 1981, total number of registered manufacturing firms were 1, 05,037 that provided 77, 77,868 jobs. There was slight increment in number of firms in 1991 accounted 1, 12,286 which supported 81, 93,590 jobs. 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 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.

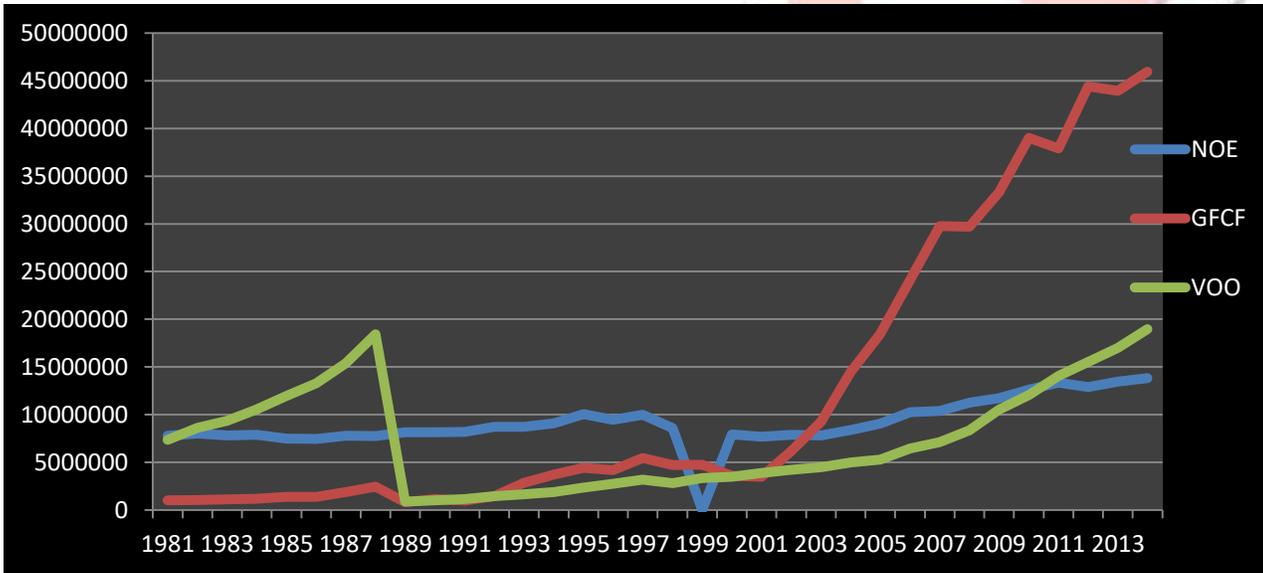
Figure-2: number of employs increases in industrial establishment.



Source: ASI

Note- data is not available for 1999.

Figure-3: relationship between NOE, GFCF and VOO.



Source: ASI

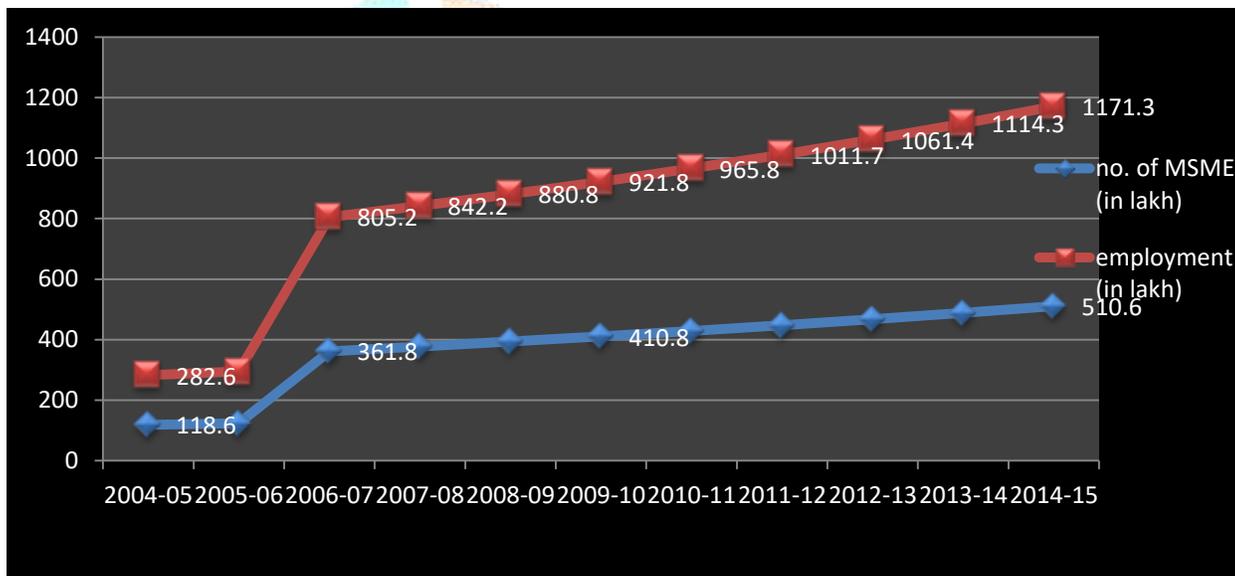
Value of output and gross fixed capital formation is measured in Rs. Lakh.

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**.

Figure-4: current scenario of MSME sector



Source: Ministry of MSME

Within the manufacturing sector itself, small and decentralised 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.

However, there are lots of opportunities also available for entrepreneurship such as free entry into world trade, improved risk taking ability due to competition and efficiency, Encouragement to innovations and inventions, consideration increases in government assistance for international trade, establishment of other national and international institutes to support business among nations of the world, specialization, Social and cultural development are big impetus to entrepreneurship development in India. The government has commitment towards entrepreneurship development in country. There are dedicated policies, initiatives, persuasions, funds available. The MUDRA bank, stand up India, start up India are ambitious programme of the government instead of various others prevailing programme.

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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