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Article Title: **Indian Startups: Catalysts for Employment Generation**

Indian Startups: Catalysts for Employment Generation

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ABSTRACT

India's burgeoning startup ecosystem has emerged as a pivotal driver of economic growth and job creation. This research explores into the comprehensive impact of startups on employment generation within the Indian context. The study aims to rigorously assess both direct and indirect employment effects attributable to startups, examining the sectoral distribution of job creation across diverse industries. Furthermore, it seeks to evaluate how startups influence employment dynamics among various demographic groups, including youth, women, and skilled labour.

A critical aspect of this investigation involves examining the role played by government policies and initiatives in nurturing employment growth through startups. By employing a mixed-methods approach, integrating quantitative analysis of startup data with qualitative insights gathered from interviews with entrepreneurs and employees, the research aims to substantiate its findings with empirical evidence.

The anticipated outcomes of this study are poised to deepen our understanding of the intricate relationship between startups and employment, offering valuable insights for policymakers and investors alike. By uncovering the employment multiplier effect of startups, the research aims to underscore the potential of startups as pivotal drivers of job creation and economic development in India. This knowledge is crucial for shaping effective policies that can further stimulate the startup ecosystem, thereby fostering sustainable economic growth and inclusive employment opportunities across the country.

Keywords: Startups, Employment Generation, Entrepreneurship, Economic Growth

1 Introduction

Startup India, a flagship initiative launched by Prime Minister Narendra Modi in 2016, has emerged as a cornerstone of India's economic growth strategy. By creating a conducive environment for startups, the program aims to stimulate job creation, foster innovation, and enhance India's global competitiveness.

At its core, Startup India seeks to simplify bureaucratic hurdles, provide financial support through various schemes, and offer startups access to government procurement opportunities. Moreover, the initiative has been instrumental in building a robust startup ecosystem. This ecosystem comprises a dynamic network of entrepreneurs, investors, incubators, accelerators, research institutions, and government agencies that collaborate to nurture and scale innovative

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ventures.

India's startup landscape has witnessed unprecedented growth in recent years, propelled by a confluence of factors including a young and tech-savvy population, increasing digital penetration, and supportive government policies. The country has emerged as a global startup hub, ranking third in terms of the number of startups. With over 127,000 recognized startups as of April 2024 (www.stastica.com), India's startup ecosystem is a testament to the nation's entrepreneurial spirit and potential.

These burgeoning startups are not only creating employment opportunities but are also driving technological advancements, addressing societal challenges, and contributingsignificantly to the Indian economy.

1.1 Startup Eco-System in India

The start Eco-Systems of any country basically consist of three components; The Incubators (supporting organizations), The Investors (Funding Organizations) and Innovation. Thispaper a did a comparative analysis of growth of incubators, total investment made andincrease in the number of startups is made for the last 5-years i.e from 2019 to 2023 so as to understand the impact of growth of startups in employment creation.

1.2 The Incubators

As startups are early stage enterprises, these are usually run by young entrepreneurs. These entrepreneurs need support at various levels starting from Concept Commercialization of an idea till Go to Market Strategy and then the Growth Stage. These incubators or similar groups such as accelerators and mentors act as the guiding star and guide the startups establish their business successfully and commercially. The growth of these incubators havebeen consistent and in sync with the growth of startups in the country.

1.3 The Investors

The Investors are the backbone of the complete startup eco-system as they are the once who support the startups when no banks or other formal financial organizations are ready to invest in their ideas. They are the cause of the growth of the start-ups in any country. These include angel investors, Venture Capitalists and financial institutions.

2 Literature Review

In recent years, the Indian startup ecosystem has experienced exponential growth. According to a report by Nasscom and Zinnov (2019), India is the third-largest startup ecosystem in the world, with over 9,000 startups. This burgeoning ecosystem has been instrumental in creating job opportunities, particularly for the youth. Deakin and Mishra (2018) highlight that startups have not only generated direct employment but have also spurred indirect employment through their supply chains and ancillary services. The flexibility and innovative nature of startups

allow them to adapt quickly to market demands, thereby continuously creating new job roles and opportunities.

The Indian government has played a pivotal role in fostering the startup ecosystem. Initiatives such as Startup India, Make in India, and Digital India have provided significant impetus to the growth of startups. The Startup India initiative, launched in 2016, aims to build a strong ecosystem that is conducive to the growth of startup businesses, to drive sustainable economic growth, and to generate large-scale employment opportunities. According to a report by the Department for Promotion of Industry and Internal Trade (DPIIT, 2020), these initiatives have led to the recognition of over 41,000 startups, creating over 470,000 jobs as ofDecember 2020. This government support has been crucial in reducing regulatory burdens and providing financial assistance to startups, thereby enabling them to scale and generate employment.

Different sectors within the Indian startup ecosystem contribute variably to employment generation. The IT and software development sectors have traditionally been the largest employers. However, recent trends show significant job creation in sectors such as Fin Tech, Ed Tech, Health Tech, and e-commerce. A report by KPMG (2021) indicates that the Fin Tech sector alone is expected to generate over 1.5 million jobs by 2025. Similarly, the Ed Tech sector, fueled by the demand for online education during the COVID-19 pandemic, has seen a surge in employment opportunities. These sectoral dynamics highlight the diverse and expanding nature of employment generation within the startup ecosystem.

Despite the positive impact on employment, Indian startups face several challenges that hinder their potential. Access to capital remains a significant barrier, with many startups struggling to secure adequate funding to scale their operations. Additionally, the high failure rate of startups poses a risk to sustained employment. According to a study by IBM Institute for Business Value and Oxford Economics (2019), about 90% of Indian startups fail within the first five years, primarily due to lack of innovation, inadequate business models, and poor market understanding. These challenges underscore the need for a more robust support system, including mentorship, better access to funding, and comprehensive market research, to enhance the sustainability and employment potential of startups.

Incubators and accelerators play a crucial role in nurturing startups and enhancing their capacity to generate employment. These entities provide essential support services, including mentoring, networking, and access to funding. According to a study by Ghosh and Roy (2020), startups that go through incubators and accelerators have a higher survival rate andare more likely to scale successfully. This increased survival and scaling ability directly translate to higher employment generation. Furthermore, incubators and accelerators often focus on building entrepreneurial skills and capabilities, which are critical for the long-term success and growth of startups. Their role in creating a conducive environment for startups cannot be overstated, as they help bridge the gap between early-stage innovation and market- ready solutions, thereby fostering job creation.

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2.1 Objectives

1. Assess the growth trajectory of Indian startups over the past five years.
2. Correlate startup growth with job creation trends within the last five years.
3. Examine the evolution of startup funding patterns and its impact on job creationduring the preceding five-year period.
4. Identify top-performing Indian states and industries in the startup ecosystem with reference to employment opportunities.

2.2 Scope

This paper aims at analysing the effect of the growth of the startups on the employment possibilities that it has to offer to the nation and also the possibility of relating and correlating the relationship between the number of startups and the employment.

3 Research Methodology Sources of Data

The data used in this paper for the generation of the results and analysis is primarily based on secondary data. This approach involves the systematic collection, evaluation, and synthesis of existing data available in the field of research write the to India's start- ups, their growth, Employment in India and rise in the number of start-ups.

3.1 Research Techniques

This study aims to comprehensively analyse the Indian start up ecosystem, identifyingkey trends and determining the factors influencing employment growth driven by start-ups. Secondary data from reputable sources, including academic journals, government publications, and industry reports, was utilized for this research.

3.2 Statistical Tools

Correlation analysis and chi-square tests were employed to analyse the collected data.

3.3 Hypothesis

H_{01} – There is no effect rise in No. of Start-ups on Employment generated
H_{02} – There is no relation between the start-ups funding and Employment generated

4 Data Analysis and Interpretation

The data is collected from secondary sources for period of 5 years i.e from 2019 to 2023**.**

4.1 Number of Start-Ups in Last Five Years

Table 1: *Total number of registered start-ups during last five years*

Year	Number of Start-ups
2019	10604

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2020	13,798
2021	19371
2022	26330
2023	34779

Start-up Funding During Last Five Years:

Table 2: *Start-up Funding During Last Five Years*

Year	Billion Dollars
2019	13.41
2020	11.37
2021	38.00
2022	25
2023	11.3

Chi-Square Test for analysing the relationship between Number of Start-ups and Start-up Funding during Last Five Years: Chi-Square is applied to know whether there is any relationship between two categorical variables

Table 3: *Number of Start-ups and Start-up Funding During Last Five Years*

Year	Number ofStart-ups	Funding (in Billion Dollars)
2019	10604	13.41
2020	13798	11.37
2021	19371	38
2022	26330	25
2023	34779	11.3

Table 4: *Number of Start-ups and Start-up Funding Analysis*

Results			
	Number of Start-ups	Funding (in Billion Dollars)	***Row Totals***
2019	10604 (10607.09) [0.00]	13 (9.91) [0.96]	10617
2020	13798 (13796.11) [0.00]	11 (12.89) [0.28]	13809
2021	19371 (19390.88) [0.02]	38 (18.12) [21.82]	19409
2022	26330 (26330.40) [0.00]	25 (24.60) [0.01]	26355
2023	34779 (34757.52) [0.01]	11 (32.48) [14.20]	34790
Column Totals	104882	98	**104980 (Grand Total)**

4.2 Statistical Inference

- ✓ The Chi-square statistic is 37.2999 and p-value is < 0.00001

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- ✓ Test Statistics shows that there is association between the number of start-ups andthe funding of start-ups during last five years
- ✓ Thus the tests results fails to accept null hypothesis

Total Number of Jobs created by the start-ups during; Last five years

Table 5: *No. of Direct and Indirect jobs created*

Year	Number of Direct Jobs created
2019	1,32000
2020	1,61000
2021	1,98000
2022	2,69000
2023	3,90,000

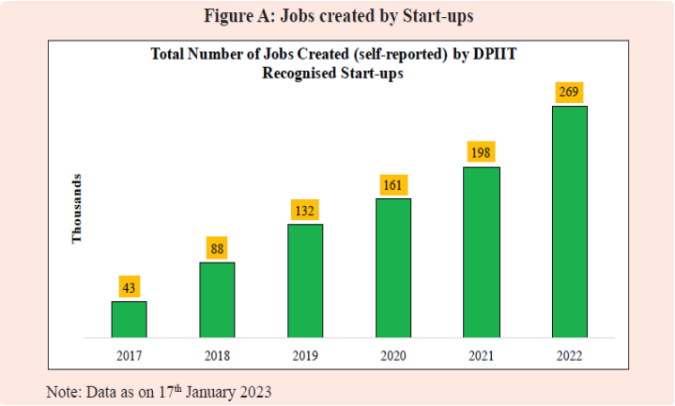

Figure 1: *Correlation Analysis for the Startups Growth and The Number of Job Created duringlast Five Years*

Table 6: *Number of Startups and Direct Jobs Created by Startups*

Year	Number of Startups	Number of Direct Jobs created
2019	10,604	1,32000
2020	13,798	1,61,000
2021	19,371	1,98,000
2022	26,330	2,69000
2023	34,779	3,90,512

4.3 Statistical Inference

- ✓ To understand the Strength of linear relationship between variables mentioned in the above table Karl Pearson Correlation is applied.

- ✓ The Correlation Coefficient measures on a Scale of +1 to -1.
- ✓ The calculated value of Correlation is 0.8366, which indicates very Strong Positive Correlation between the number of Start-ups and the Number of Direct Jobs Created duringLast Five Years.
- ✓ Thus the study fails to accept Null Hypothesis.

5 Conclusions

The purpose of the study is to comprehend how these start-ups are turning into a means of resolving the nation's unemployment issues. The considerable impact of start-ups on the economy is demonstrated by the data that was analysed in the study with the help of different statistical methods. Therefore, additional government initiatives are needed to support these start-ups so they can continue to contribute to and grow our economy.

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