



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

BUSINESS SUSTAINABILITY OF STARTUP BASED ON EMPLOYMENT GENERATION: AN EMPIRICAL STUDY OF UTTAR PRADESH STARTUPS.

Prof. Madhurima Lall

Professor, Department of Applied Economics, University of Lucknow,

Lucknow UP-226007

Divya Mishra

Research Scholar

Department of Applied Economics, University of Lucknow,

Lucknow UP-226007

Abstract

A Startup India portal was also launched for facilitation of various related activities. Startups are pillars of Economic Growth involving innovation with Technology which strengthens the economic benefits for the Economy Startups are pillars of Economic Growth involving innovation with Technology which strengthens the economic benefits for the Economy. Existing frameworks in India are inadequate to fulfil the aspirations of its population and become a Global Power. Startups and Entrepreneurship has a key role to play in making a country as a Knowledge Super power. Number of factors drive Indian startup ecosystem such as huge funding, advancement in technology, demographic transition etc. which paves the way to young startups.

Keywords: Startups, super power, economics growth.

1.1 Introduction

Startups are one of the major drivers of job opportunities and economic growth like creating jobs, and increase per capita income and it creates positive impact on the economy. A Startup India portal was also launched for facilitation of various related activities. Startups are pillars of Economic Growth involving innovation with Technology which strengthens the economic benefits for the Economy. Existing frameworks in India are inadequate to fulfil the aspirations of its population and become a Global Power. These include recognition of Startups, mentors, information access, incubators, venture and angel funds, and many more. India is ranked as third in global Startup ecosystem. Startups and Entrepreneurship has a key role to play in making a country as a Knowledge Super power. Number of factors drive Indian startup ecosystem such as huge funding, advancement in technology, demographic transition etc. which paves the way to young startups.

Start-ups may also attract individuals with founder preferences. Although these individuals may prefer to found their own ventures, doing so requires an entrepreneurial opportunity such as a commercializable technology (Eckhardt and Shane, 2003). An entrepreneurial opportunity to start their own company, founder may prefer to work in a startup rather than an established firm for at least two reasons. First, individuals with a founder preference have high risk tolerance, place a high value on autonomy, and have an interest in managerial as well as commercialization work activities (Roach and Sauermann, 2015). These job attributes tend to be more readily available in startups than in large established firms. Second, startups may provide a training ground for aspiring entrepreneurs who seek to acquire the skills required to succeed as a founder (Gompers, et al., 2005; Elfenbein, et al., 2010). Such additional training may be particularly important for highly trained scientists and engineers who often lack knowledge in areas such as marketing, finance, and strategy. Working in a start-up likely exposes individuals to a broader range of non-technical tasks than working in an established firm (Elfenbein, et al., 2010) and thus provides more learning opportunities. Moreover, startup employees can more directly observe a founder in building and directing a new venture, potentially providing learning opportunities and insights specifically into the entrepreneurial process. Finally, some founder types may also take employment in firms if such employment offers significantly higher financial income than they expect if starting their own ventures, i.e., they may choose to enter employment in startups due to a compensating differential.

There are three key problems that arise when working towards a standard definition of self-employment: first, the lack of a commonly accepted definition that can be applied across country; second, a series of definitional problems that arise from these ambiguities; and third self-employment is often incorrectly equated to, or used interchangeably with, entrepreneurship. In this section, we examine each of these issues. First, some of the key problems arising from definitional issues are examined, namely: the confusion between self-employment and entrepreneurship; second, bogus self-employment and economically dependent self-employment; and third the difference between sole traders/freelancers and the self-employed who create further employment, is examined. Given its recent growth and promotion within the India, the potential of social entrepreneurship for young people's labour market trajectories is also explored.

Startups are pillars of Economic Growth involving innovation with Technology which strengthens the economic benefits for the Economy. Existing frameworks in India are inadequate to fulfil the aspirations of its population and become a Global Power. Start-ups and Entrepreneurship has a key role to play in making a country as a Knowledge Super power. Number of factors drive Indian startup ecosystem such as huge funding, advancement in technology, demographic transition etc. which paves the way to young start-ups.

1.2 Review of literature

Sharifi & Hossain (2015) stated the various financial challenges faced by the Startups in India. Also depicts the difficulties faced by the Startups at the initial stage. The major findings are major leap in technology have led investors to raise the bar Keeping in mind the importance of the subject and the research gaps therein, we have undertaken this study with the main aim to address the important issue of understanding the challenges and issues faced by Startup companies in India.

Mr. Mukti Narayan Pidiha and Ms. Rachana Singh (2016) highlights the challenges and prospects of startup India, stand-up India. It begins with the concept of Entrepreneur and its roots. They showcase the challenges for Indians in starting new business such as Financial and social challenges etc. They also discussed about the future prospects of Entrepreneurship in India with the intervention of central, state governments and large companies. Plan of Action are presented from the point of view of Government such as

training and development, media campaigns, promoting rural entrepreneurship, improving infrastructure, monitoring mechanism etc. The conclusive part highlights about economic contribution of entrepreneurship and country's economic policy for its economic growth.

Mohammed Habeebuddin and D. Sakriya (2017) highlights the issues and challenges for Indian start-ups and also discloses various benefits available to the startups and opportunities like Indian demography, unique set of Indian Problems like health, education, sanitation, infrastructure etc. for Indian start-ups because of their enormous transformation. Ample of challenges identified for Indian startups in this paper are regarding culture, mentorship, policies, hiring, funding, social issues, consumer behaviour changes, technological infrastructure issues, sustainability issues, regulatory issues, taxation issues etc.

Madhvapaty & Rajesh (2018) addressed the Challenges of HR Tech Startups such as failure to lay groundwork for adoption by employees. While there are diverse products and technologies in the market, the core challenge is to find the right product-market fit.

Shukla, Chauhan & Saumya, (2018) in their study presented a formally structured representation of the issues faced by female entrepreneurs in a manner which is mutually exclusive and collectively exhaustive. In the context of emerging economies in fast-developing nations such as India.

Singh (2018) identified the Challenges for Indian Startups as, Sustain growth, be profitable, create real businesses.

Manu Tyagi and Namita Mishra (2019) defines about startup venture and gives brief note about origin of startup initiatives by Government and the current scenario about startups in India which constitute Engineering startups as major one in technology based startups. They speak about various issues and challenges of startups and opportunities for startup in India like population, mind-set in working class and huge investments in startups.

1.3 Objective of the study

We start from the following objectives-

- To explore the Current situation of Employment and capital investment in startups in Uttar Pradesh.

- To analyse the Impact of capital investment in startups and numbers of startups on Employment Generation in startups in Uttar Pradesh.

1.4 Hypothesis of the study

H_0 = There is no significant relationship between numbers of Startups and Employment generation in Startups in Uttar Pradesh.

H_1 = There is no significant relationship between capital investment in Startups and Employment generation in Startups in Uttar Pradesh.

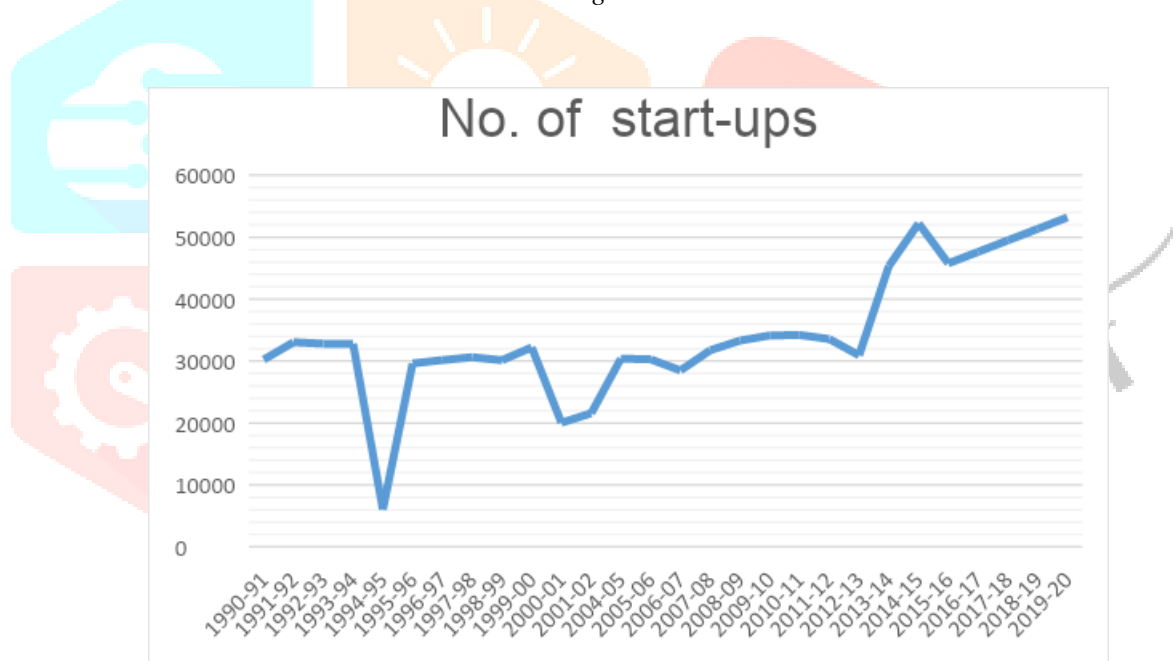
1.5 Current Situation of Start-ups in Uttar Pradesh

Year	No. of start-ups	Capital Investments	Employment (Nos.)
1990-91	30248	153.47	148967
1991-92	33048	208.48	137647
1992-93	32807	206.5	117240
1993-94	32808	205.04	112652
1994-95	6033	104.54	28229
1995-96	29627	249.9	81453
1996-97	30155	266.31	95001
1997-98	30630	403.89	80132
1998-99	30134	399.41	74347
1999-00	32212	370.25	76671
2000-01	20042	217.75	45400
2001-02	21585	176.52	70053
2004-05	30402	284.34	121102
2005-06	30282	262.79	125611
2006-07	28487	507.59	120876
2007-08	31751	1357.48	152582
2008-09	33314	2122.13	171857

2009-10	34136	3848.95	179334
2010-11	34212	3403.92	178594
2011-12	33563	3681.56	191566
2012-13	30933	4152.31	216749
2013-14	45342	3995.48	490820
2014-15	52231	4512.51	417967
2015-16	45780.04	5360.134	396140.8
2016-17	47635.65	5821.878	426299.8
2017-18	49491.26	6283.622	456458.7
2018-19	51346.87	6745.366	486617.7
2019-20	53202.48	7207.11	516776.6

Source: Directorate of Industries UP

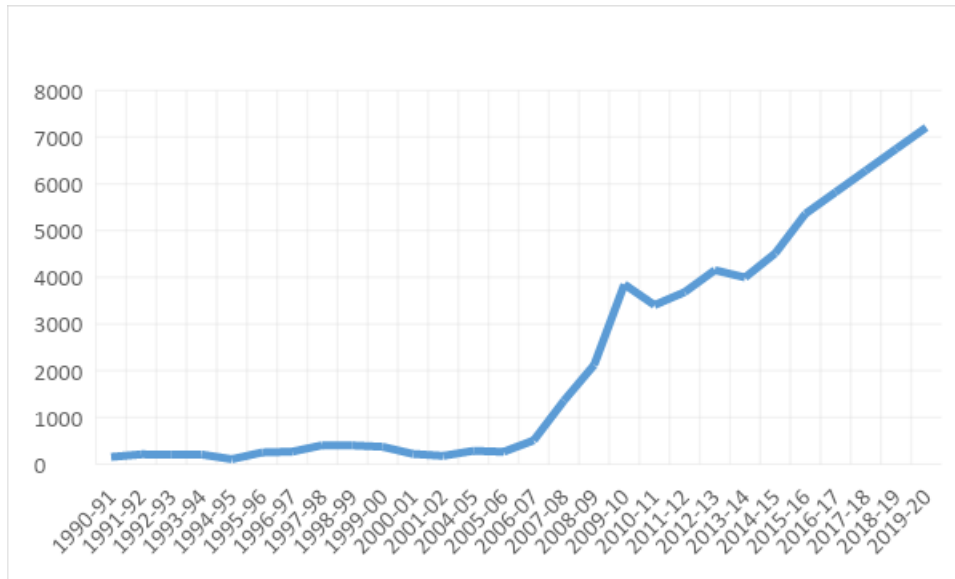
Figure 1.1



Source: Directorate of Industries UP

In the figure 1.1 the percentage Changes/ growth in the numbers of startups in Uttar Pradesh is shown from 1990-2020. This figure clearly shows that the numbers of start-ups continuously increasing over the period after 1994 because in this year many structural changes took place (New Economics Policy) in the country which created the boom in the startups. But in the year 1994-95 it has negative growth and then again continuously increasing over the periods. So we can say that numbers of startups increasing and it also enhancing the employment generation in the said sector.

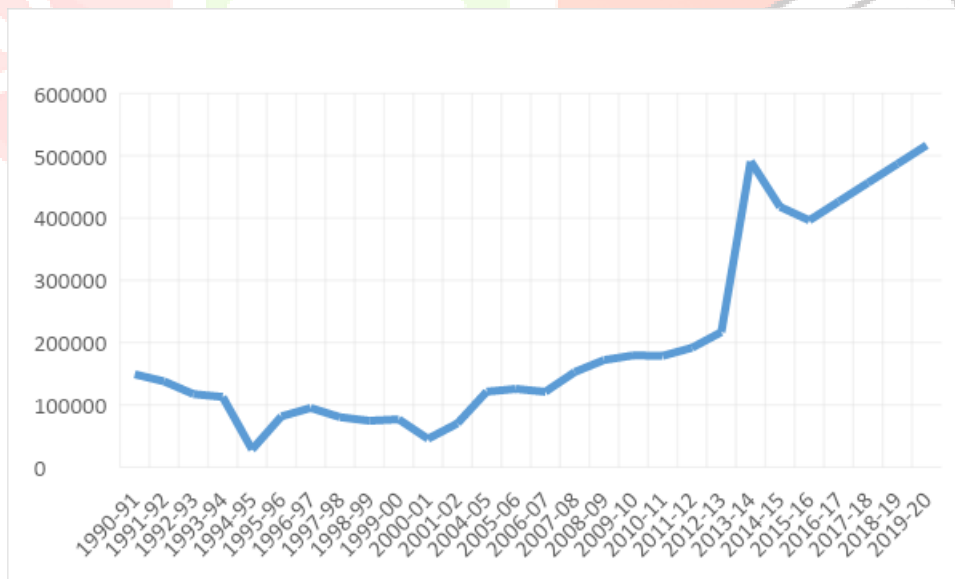
Figure 1.2



Source: Directorate of Industries UP

In the figure 1.2 the percentage Changes/ growth in the numbers of capital investment in Uttar Pradesh is shown from 1990-2020. This figure clearly shows that the numbers of start-ups continuously increasing over the period after 2019-20 because in this year many structural changes took place (New Economics Policy) in the country which created the boom in the startups. So we can say that capital investment in startups are increasing and it also enhancing the employment generation in the said sector.

Figure 1.3



Source: Directorate of Industries UP

In the figure 1.1 the percentage Changes/ growth in the employment generation in startups in Uttar Pradesh is shown from 1990-2020. This figure clearly shows that the numbers of startups continuously increasing over the period after 1994 because in this year many structural changes took place (New Economics Policy) in the country which created the boom in the startups.

1.6 Research Design

1.6.1 Collection of data

The study is fully based on secondary data which is collected from the Directorate of Industries UP Reserve bank of India, CSSO, NSSO, Ministry of Employment Govt. of India, Ministry of Human Resource Development Govt. of India etc.

1.6.2 Research Methodology

The study finds the cause and effect relationship between capital investment , numbers of startups and Employment generation in startups in U.P .where the capital investment and numbers of startups is two independent variable and employment generation in Startups is dependent variable so we will use Simple Regression technique to find out the Impact of capital investment and numbers of startups on Employment in India. We used SPSS software to show this result.

For this analysis the, model is:

$$y = \beta_1 + \beta_2 X + \beta_3 X + \mu$$

y = (Dependent variable) (Employment generation in Start-ups)

X = explanatory or independent variable

β_1 and β_2 = parameters or slope of coefficients.

μ_i = residual or error terms.

1.7 Analysis of Data

Table 1.1

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.9E+12	2	2.9E+12	133.175	.000 ^b
	Residual	5.6E+10	25	2.2E+08		
	Total	6.3E+11	27			
a. Dependent Variable: employment						
b. Predictors: (Constant), Startups, capital Investment						

The Table 1.1 analyses variance between employment and numbers of start-ups and capital investment in startups. The value of $P < 0.05$ and $F = 133.175$ so the relationship is significant and vocational capital investment plays an important role in generating employment in startups. The test is calculated at 5% degree of freedom.

Table 1.2

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.956	.914	.907	47362.31087	.914	133.175	2	25	.000	1.522
a. Predictors: (Constant), startups, capital investment										
b. Dependent Variable: employment										

Table 1.2 shows model summary. From the table It can be seen that the value of R is 0.956 which shows a very high degree of positive correlation and the value of R square is 0.914 which means numbers of startups, capital investment explains 91.4% variability in employment generation in Startups . The value of adjusted R square is 0.907 which explains well that numbers of startups, capital investment is one of the factors that affect employment generation in Startup in U.P. In this case the Durbin Watson test is 0.1.522 which indicates that the relationship is significant

Table 1.3

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	105728.834	41546.238		-2.545	.017
	Capital investment	34.843	6.436	.547	5.414	.000
	Strat-ups	6.760	1.497	.456	4.515	.000
a. Dependent Variable: employment						

Table No 5.3 shows the value of the coefficient i.e. the B value of the function which shows the rate of change in employment. The value of B for the function is 34.843 which means that a unit change in capital investment brings about 34.843 times change in employment and again the value of B for the function is which means that a unit change in numbers of start-up brings about 6.760 times change in employment the B value is positive so it clearly tells that if capital investment and numbers of startups increases by one unit employment will increase by 34.843 and 6.760 times.

$$Y = 105728.834 + 34.843X + 6.760X_1$$

The above regression equation of employment on capital investment and numbers of startups brings out clearly the exact relationship between capital investment, numbers of startups and employment generation.

1.8 Conclusion and Result

So it may be said that this study is significant study and the Null Hypothesis (H_0) is rejected in this case and alternative Hypothesis (H_1) is accepted there is significant relationship between capital investment in startups in Uttar Pradesh, numbers of startups and employment generation in startups in Uttar Pradesh. It is also found that Employment also depends upon so many economic factors means there are so many factors which determine the level of employment in startups and capital investment in one of them.

References

- Chokhani, R. (2017), Challenges and opportunities for Indian start-ups; Key points to note, retrieved from <https://www.financialexpress.com/industry/challenges-and-opportunities-for-indian-start-ups-key-points-to-note/524728/>
- Goel, S. (2018). Start-ups in India- Retrospect and Prospects, International Journal of Research, 5(7), 2676-2685.
- Jain, S. (2016), Growth of startup ecosystems in India, International Journal of Applied Research, 2(12), 152-154.
- Kamaldeep Kaur (2017), Start-Up India: Challenges and Opportunities, Journal of Social Science Research, Volume 11, Number 1, March, pp 2318-2321.
- Kamaldeep, k. (2017), Start-up India: challenges & opportunities, Journal of social science research, 11(1), 2318-2321.
- Madhvapaty, M. & Rajesh, A. (2018), HR tech startups in India, Human Resource Management International Digest, 26(3), 11-13.
- Manu Tyagi and Namita Mishra (2019), Start-up Policy – New Day, New Fate, An International Peer-reviewed Open Access Journal of Interdisciplinary Studies, Special Issues on Start-up and Innovation, Volume 2, Issue 1, February, pp 143-148.
- Mittal, A. (2014), Indian Start-ups: Challenges and Opportunities, Economic Times, retrieved from http://economictimes.indiatimes.com/articleshow/45272839.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst accessed on 12.10.2017.
- Mohammed Habeebuddin and D. Sakriya (2017), Start-ups in India – Issues and Challenges, Emperor International Journal of Finance and Management Research, Mayas Publication, pp 317-322.
- Mr. Mukti Narayan Pidiha and Ms. Rachana Singh (2016), Challenges and Prospects of Start-up India, Stand-up India – An Entrepreneurship Program, National Seminar on Entrepreneurship Development – Economic and Social Issue, February, pp 237-244.
- Nasscom (2015). NASSCOM (2015), Start-up India - Momentous Rise of the Indian Start-up Ecosystem, retrieved from http://www.snia.org/sites/default/files/SDCIndia/2016/Presentations/10K-NIPP%20Intro_%20SDC.pdf accessed on 30.04.2017.

- Rajan, A. (2018), by thinking big start-ups can shine, retrieved from <https://www.livemint.com/Companies/tsBpFtvA9IhdpfFZALaP6I/Rajan-Anandan-By-thinking-big-startups-canshine.html>
- Sarangi, S.R. (2015), why do most Indian Start-ups Fail? retrieved from <http://www.cse.iitd.ernet.in/~srsarangi/startups.html>.
- Sharifi, O. & Hossain, B.K. (2015), Understanding the financing challenges faced by start-ups in India, International Journal of Science Technology and Management, 4(1), 264-272.
- Singh, S. (2018, May 18), Challenges for Indian start-ups: Sustain growth, be profitable, create real businesses, retrieved from <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/challenges-for-indian-startups-sustain-growthbe-profitable-create-real-businesses/articleshow/64199449.cms>.
- Skok, D. (2016), Why Start-ups Fail? retrieved from <https://www.forentrepreneurs.com/why-startups-fail/>.
- Sunanda, K. (2017), How to Start and Manage Start-up Companies in India, International Journal of Engineering Development and Research, 5(4), 167-17.
- Sunita Sanghi and A. Srija (2016), Entrepreneurship Development in India – The Focus on Start-ups, Special Article, Laghu Udyog Samachar, January, pp 20-27.
- Surabhi Jain (2016), Growth of Start-up Ecosystems in India, International Journal of Applied Research, Volume 2(12), pp 152-154.
- Thornton, G. and Assocham (2016), Start-ups India-An Overview, retrieved from http://www.grantthornton.in/global_assets/1.-member-firms/India/assets/pdfs/grant_thornton-startups_report.pdf.