

Youth Entrepreneurship in India: Critical Issues

ISED Discussion Paper

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ISED Small Enterprise Observatory
Jointly with
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Preface

The occupational choices of the youth population are increasingly oriented towards entrepreneurship today. In this context, it is necessary to examine as to how youth entrepreneurship is shaped, grows, and gets integrated with the overall scheme of entrepreneurship development. The two relevant questions here relate to: 1) the contribution of youth to the entrepreneurship resources of the country; and 2) the means and methods of channelizing such resources.

Under the India MSME Communication Programme(IMCP), the Observatory, in co operation with the various Knowledge Centres of the Institute, makes a rigorous analysis of the latest currents in the MSME constituency, leading to a unique 'Development Report'. This study is a spill-over of this exercise of Development Reporting on micro, small and medium enterprises (MSMEs) at the ISED.

While the team of the Observatory did a meticulous job under the guidance and support of the Project Leaders, individual members of the Team, including the editors and the Associates, have made their special contribution in specific thematic areas. While this title is significant in the present context of the Indian economy , and of the MSME developments in specific, I hope it will contribute to wider discussions in the subject area.

As this title come out as a joint output of the Observatory and the ISED Centre for Social Development, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.



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Abstract

The occupational choices of the youth population are increasingly oriented towards entrepreneurship today. In this context, it is necessary to examine as to how youth entrepreneurship is shaped, grows, and gets integrated with the overall scheme of entrepreneurship development. The two relevant questions here relate to: 1) the contribution of youth to the entrepreneurship resources of the country; and 2) the means and methods of channelizing such resources.

Key Words: India, youth, entrepreneurship, start-up.

1.0. Introduction

The new millennium is characterized by the predominant role of youth in the economy and in social life. Besides, the 'Z- generation' is familiar with the new level of technology, which is above the one that was used by their predecessors in day to day transactions. Given such a background, it is natural that their orientation and outlook towards life and work also are different. The occupational choices of the youth population, which are more oriented towards entrepreneurship, is based on the objective reality of a weak participation in the labour market, which they are familiar with. However, entrepreneurship is a discipline that speaks of a focused and meticulous view and approach towards life and livelihoods. In this context, it is necessary to examine as to how youth entrepreneurship get shape, grows, and gets integrated with the overall scheme of entrepreneurship development, is a subject that needs detailed examination. The purpose of the following discussion need to be understood in relation to two questions: 1) What can be the role of youth in adding to the entrepreneurship resources of the country? 2) How can their potential be channelized for promotion of entrepreneurship resources of India?

2.0. Occupational Structure of Youth Population

The discussion on the role of youth in relation to the labour market, in India, has a special significance from two reasons: First, the country's population is significantly young, and therefore,

has a significant demographic dividend from the angle of contribution to GDP. Secondly, the size of the skilled people among the youth is sizeable in the country, though skilling itself is a major task. Though with such problems and potential alike, youth entrepreneurship is a valuable resource that needs to be harnessed and nourished.

The problem of youth unemployment has an implicit potential as well. While technology is rapidly changing, and the world of work is undergoing a major transition, business opportunities also undergo a major churning. How this churning impacts the labour market, and the society as a whole, is a question that needs examination to the specific contexts. In many countries, more youth are returning home to live with their parents than of their preceding generations, partly because of the evolving objective environment of 'work from home', and partly for the increasing costs of living and work. Startups and entrepreneurship are gaining currency globally. Unemployment is expected to hit high by 2030, with up to 46 per cent of the educated persons going jobless. The solution for this labour market mismatch lies in the entrepreneurship route.

While technology, unlike during the preceding stages of the 'Industrial Revolution' is impacting all global activities of economic and social life, successful new-age enterprise could be defined as one that is knowledge driven and intelligence-based. Technology can act as facilitator of knowledge based transactions, but the process of translation of knowledge that is abstract, into a concrete form of business opportunities happen through

big ideas, dreams, and aspirations of the new age entrepreneurs. The positive and favorable condition with the youth is that, they are able to assimilate the language of technology than that of their previous generations. Here lies a latent opportunity of enhancing youth employment through entrepreneurship.

Technology is rapidly changing, which also implies emergence of new business opportunities that were not pre-existing. This means that, the stream of entrepreneurship is evolving into a new reality, in place of the traditional kind of jobs. It is such opportunities that are available to the present generation. Given this objective situation, action for employment promotion has to happen in relation to six broad areas:

- 1) Mentoring into a focal theme of Education: It means that the students can work part-time in a company while at school, which in turn provides an opportunity that they may be hired by the company itself on completion of education.
- 2) Promotion of entrepreneurship; Youth should be encouraged to be socially conscious, not simply in social service terms, but in terms of latent opportunities. Society has built some kind of support systems that can take care of the risks involved in venturing. These include, crowd funding, venture capital, start-up accelerators etc.
- 3) Out of-the-box thinking: Youth should be encouraged to think beyond the beaten track. Venture capitalists can take them on, and can provide the contacts, experience and opportunities. Besides, successful entrepreneurs may also provide seed money to such aspiring youth.
- 4) Shaping a pathway to work: Education, by itself, will not lead to an income. The brilliant minds and their skills need to be channelized into new income opportunities.
- 5) Inspiration and encouragement; Successful entrepreneurs can offer networking opportunities, and can provide encouragement to start ups.

- 6) Non-profits as a vehicle: Apart from the several all-purpose social organizations, there are many nonprofits that are good at molding and skilling entrepreneurs.

In many countries they do not get adequate fund support

The youth problem is increasingly becoming global in nature, and therefore, it needs to be understood and analyzed in terms of the changes in the global economy. At the international level, the youth population demonstrates some important trends. There are over 1.8 billion young people in the world today, 90 per cent of whom live in developing countries, where they tend to make up a large proportion of the population. There are more than 235 million youth in India and 225 million in China alone (UNFPA, 2020). According to the ILO, almost 90% of all young people live in developing countries. It has estimated that the global youth unemployment rate at 13.1% in 2016 (71 million young people) and was expected to remain at that level through to 2017 (up from 12.9% in 2015). According to ILO(2020), the global youth unemployment rate stands at 13.6%.

In India also, there are some striking trends that are characteristic of the youth population. Where unemployment in the country is significant, Youth unemployment Rate in India is increasing over the years. It increased to 34.70 percent in the second quarter of 2020 from 21.10 per cent in the first quarter of the year, according to data available from the Ministry of Statistics and Program Implementation. While the nature of this problem is essentially structural, it is important to examine its dimensions.

Rather than unemployment per se, un-employability is the larger challenge facing India. According to available official data, the average unemployment rate was 6.52% in March 2021. Of this, urban unemployment was more than a percentage point higher than that of the rural. What is the composition of such unemployment? Data brought out by the CMIE shows that 37.9% of the urban people, belonging to the 20-24 age group, were unemployed. This age group has been cited as the largest unemployment category. According to the PLFS Survey (2018) rural females with primary education are least unemployed (0.6%), followed by their urban counter-part (1.6%). Almost 1 in 4 urban