

A Study on the Role of Entrepreneurship in Employment Generation

Pragathi J¹

MBA_ Student Vidya Vikas Institute of Engineering and Technology, Mysuru

Madhunayaka²

Assistant professor, Vidya Vikas Institute of Engineering and Technology, Mysuru

Email: jpragathi060@gmail.com , madhunayaka@vidyavikas.edu.in

Abstract

This study explores how entrepreneurship helps create jobs and supports economic growth. It looks at the role of small and medium businesses in generating both direct and indirect employment, especially through factors such as access to finance, business training, market demand, and the background of the entrepreneur. The research was carried out using a quantitative approach with 56 entrepreneurs as respondents. The findings show that many entrepreneurs depend mainly on personal savings or help from family and friends to start their businesses, while formal government support is used less often. The study also found that business growth often leads to new job opportunities, including permanent, seasonal, and part-time roles. Training and previous experience were seen as important in improving business management and increasing the chances of employment generation. However, challenges such as lack of funding, limited resources, and business risks still affect long-term job creation. Overall, the study concludes that entrepreneurship has strong potential to reduce unemployment, but it needs proper support through training, finance, and infrastructure.

Keywords: Entrepreneurship, Employment generation, small and medium enterprises, Job creation, Financial support

INTRODUCTION

In today's global economic environment, sustainable development and poverty alleviation are inextricably bound to the ability of a country to create jobs. The old-fashioned industries like agriculture and state enterprises fail to accommodate the exponentially expanding workforce on a global scale. Under such circumstances, entrepreneurship becomes a key driver of economic change. Contrary to common belief, entrepreneurs do not just create businesses – they embody the spirit of innovation and competitiveness leading to economic transformation.

Entrepreneurship and job creation have a complex and dynamic connection. Entrepreneurs function as drivers of the economy – their ventures necessarily create job positions for individuals with different skills and competencies. Moreover, one entrepreneur's venture triggers a chain reaction of indirect employment generation through supply chains, logistic companies, professionals, and so forth. As a result, entrepreneurship creates an atmosphere of self-sufficiency. This concept applies equally to small ventures operating in poor countries and innovative technology firms in urban centres.

Even as the advantages of entrepreneurship are generally known, the process of transforming entrepreneurship to job creation still poses several challenges. The problems faced by entrepreneurs include shortage of funds, regulatory problems, shortage of management skills, and unfavorable markets, resulting in many failures. Thus, although the possibilities for generating employment opportunities are abundant, their sustainability

remains questionable. Therefore, there is an evident need for more research on how policy interventions can maximize the employment-creating potential of entrepreneurship.

This research is important for its departure from the simplistic belief that "the more businesses there are, the more employment opportunities there will be." Rather, this work takes into consideration the nature, sustainability, and replicability of job creation as a result of entrepreneurship. This information can be helpful for formulating economic policies, designing financing schemes, and developing entrepreneurial education programs.

To accomplish this, therefore, the aim of this research is to examine the structural impact of entrepreneurship on job creation and to identify the various catalysts and obstacles in relation to the present economic context.

REVIEW OF LITERATURE:

Gupta and Singh (2022) follow the employment changes of young people, reporting that graduates who received formal entrepreneurship training are far more likely to be self-employed and create external employment within 36 months than untrained graduates. **Chatterjee and Das (2022)** analyze the national economic registries and state-sponsored startup funding and find that among the sectors of the Startup India Initiative, the tech-driven sectors (Fintech, IT, software services) are the most scalable and hire ability driven, meaning that state-supported financial buffers directly stimulate hiring in the private sector. **Rietveld and Patel (2022)** examine cross-national institutional data from 97 nations, showing that the closing of the entrepreneurial gender gap has the potential to unleash one of the largest untapped resources, as women-owned businesses are the most effective means of providing resilient, community-based jobs in the rural and semi-urban service sectors. **Adenutsi (2023)** adopts income empowerment models to suggest that growth in small and medium enterprises (SMEs) stimulates indirect employment, as the growth of locative start-ups initiates a chain of employment throughout the local community, the local economy, and surrounding networks. **Borah and Bhowal (2023)** analyze regional GDP growth and economic indicators and find that focused Entrepreneurship Development Programs (EDPs) lead to a decline in regional unemployment, showing that formal education stimulates job creation in impoverished regions. **NASSCOM Ecosystem Assessment (2023)** tracks digital labor markets, showing a clear segmentation, where urban E-commerce startups produce large volumes of semi-skilled gig jobs and logistics jobs, while rural Agri tech startups produce high-skill jobs. **Sabon Gari Regional Study (2022)** uses binary logit regression modelling to analyze localized economic hubs, where it is shown that 79.7%. **Lakhpatri Didi & Drone Didi Project (2023–2026)** Reports on Long-Term Rural Development demonstrate how the integration of high-tech vocational devices (such as agricultural drones) among the SHGs of women leads to subsistence workers being empowered to become micro-entrepreneurs that create local employment opportunities for both technical and operational expertise. The socio-economic equity indexes in the economies of South Asia recorded by **Zhou, Shawon, and Sohail (2025)** demonstrate that whereas many commercial companies automate their operations for efficiency, social businesses are purposely structured in labor-intensive formats to create employment opportunities for vulnerable low-income communities. The study conducted by **Alzate-Alvarado et al. (2025)** relies on the use of several years of firm performance data to reveal the contemporary labor paradox, whereby automation through technology increases the value of the business in the market but lowers the demand for manual labor in the short run.

Statement of the problem:

Entrepreneurship is really important for making the economy grow. It is not clear how small and medium businesses can become good at creating jobs that last. A lot of businesses have big problems like not being able to get money dealing with markets that change a lot and failing. This means they often do not get bigger than the person who started them. So, there is a difference between wanting to start a business and actually

creating jobs. We need to study what helps or hurts businesses when they try to hire people. If we do not do this research, the people who make decisions might waste money on things that do not work. This can hurt economies because they will not create many new jobs and a lot of people will stay unemployed. Entrepreneurship is key, to making this better.

Need for the study:

We need to know what makes entrepreneurs create jobs. Now people think all small businesses will create jobs but that is not true. Some small businesses cannot hire people because of problems they are facing. People often say that entrepreneurship is good for the economy. We do not really know what makes entrepreneurs hire more people. We need to look at things like money demand for products and how much risk entrepreneurs are willing to take. This study is important because it will help us understand what really makes entrepreneurs create jobs. We want to move from just saying we support businesses and actually do things that will help them. The results of this study will help people who make decisions and banks give money to the businesses that're most likely to create jobs that will last. This way we can make sure we are using our resources in the way possible to create jobs that will be around, for a long time.

Objectives:

1. To Analyze the impact of entrepreneurial drivers (such as access to capital, market demand, and innovation) on direct and indirect employment generation.
2. To Examine the capacity of small and medium enterprises to create sustainable, permanent, and seasonal job opportunities within the local workforce.
3. To Evaluate how demographic variations (such as the entrepreneur's age, educational level, and business sector) impact their hiring patterns and capacity to generate jobs.

Hypothesis:

Null Hypothesis (H_0): There is no significant difference between the employment generation rates of commercial sectors under active entrepreneurial financing approaches as opposed to credit-based traditional approaches.

Alternative Hypothesis (H_1): There is a significant difference between the employment generation rates of commercial sectors under active entrepreneurial financing approaches as opposed to credit-based traditional approaches, such that there will be higher workforce growth.

Research Methodology:

Research Approach

In this study, a Quantitative Research Approach will be used. The Quantitative approach to research involves the collection of numerical data and its statistical analysis for understanding the relationship between entrepreneurship determinants and employment trends. In particular, the study seeks to quantify the expansion tendencies of entrepreneurs and their workforce hiring frequency under different capital scales.

Research Design:

The study follows a **Descriptive Research Design**.

Descriptive research is relevant in this case since it facilitates the description and analysis of the current capacity levels as well as the scaling patterns of local companies. It will enable one to understand the company preferences, hiring frequency, problems, and other variables.

Sampling Design:

Sampling method

In the research, a **non-probability** sampling approach has been used.

Sampling technique

Convenience Sampling Technique has been used for selection of respondents. Respondents were selected on the basis of their availability, accessibility, and willingness to respond to the survey.

Sampling unit

The sampling unit in the research is composed of small business owners and start-ups who recruit people through diverse means or use the local labor market in the conduct of their businesses.

Sample size

In the research, 56 respondents form the sample size. Data has been collected from active entrepreneurs via online and offline questionnaires.

Source of Data:

- **Primary Data:** The research is completely based on Primary Data. Information was collected firsthand from small businessmen and entrepreneurs by using a structured questionnaire. The data that was collected from the respondents became the basis of data analysis.
- **Secondary Data:** Gathered from academic journals, government economic surveys, employment registry reports, and textbooks to support the literature review.

Plan of Analysis:

The data gathered was meticulously analyzed, coded, and tabulated in order to facilitate a better understanding of how entrepreneurial drivers and structural barriers affect employment creation. The following non-statistical presentation methods were used:

- Descriptive Classification
- Frequency Distribution
- Percentage Analysis
- Comparative Tabular Analysis
- Graphical Representation (Bar Charts)

Limitation of the Study:

- The study was conducted under certain constraints which may have influenced the findings:
- The study involved SME business owners who worked within the boundaries of an urban area.
- Data collection was done within an academic time limit.
- This research depended on the participation of the respondents, especially those working in the fields.
- The study considered some selected factors affecting entrepreneurship employment trends.

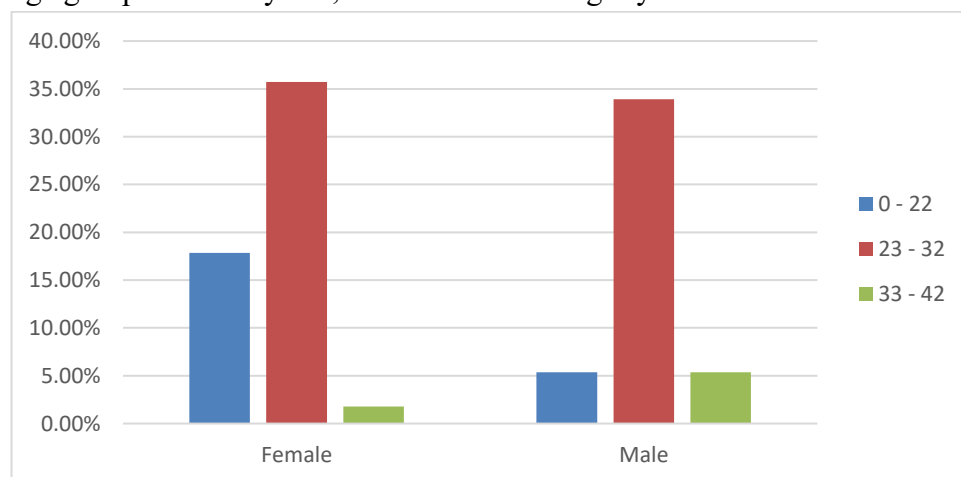
Data Analysis:

Demographic Variables:

2. Age Group				
1. Gender	0 - 22	23 - 32	33 - 42	Grand Total
Female	17.86%	35.71%	1.79%	55.36%
Male	5.36%	33.93%	5.36%	44.64%
Grand Total	23.21%	69.64%	7.14%	100.00%

Analysis: As per the above data in the table, females constitute the larger number of the respondents (55.36%), whereas males constitute 44.64% of the respondents. The maximum number of the respondents belong to the age category of 23-32 years (69.64%), while the minimum number belongs to the age category of 33-42 years (7.14%). The other major age category is of 0-22 years (23.21%). Both males and females fall into the age category of 23-32 years.

Interpretation: From the above analysis, it can be seen that most of the respondents belong to the younger age group of 23-32 years, and females are slightly more than males.

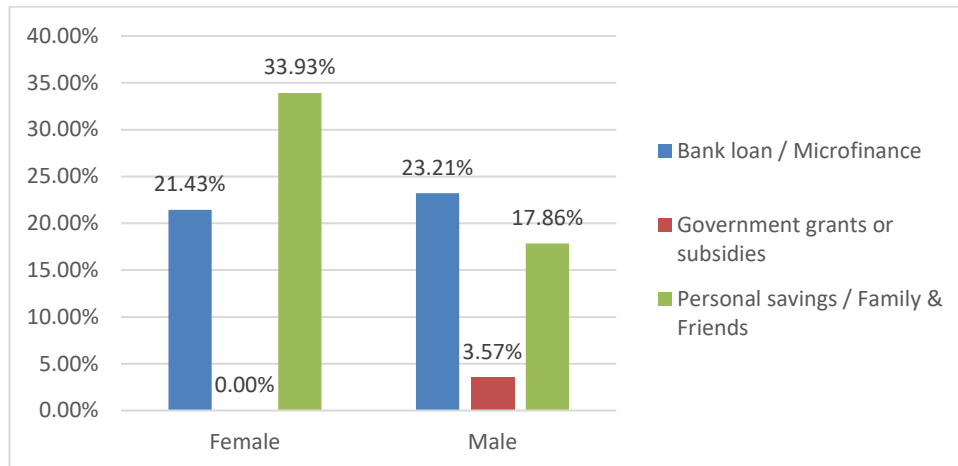


Independent Variables

Initial Funding Source for the Business.				
1. Gender	Bank loan / Microfinance	Government grants or subsidies	Personal savings / Family & Friends	Grand Total
Female	21.43%	0.00%	33.93%	55.36%
Male	23.21%	3.57%	17.86%	44.64%
Grand Total	44.64%	3.57%	51.79%	100.00%

Analysis: The greatest number of respondents (51.79%) funded their enterprises using their own savings or family and friends' assistance, followed by funding through bank loans/microfinance (44.64%). Government grants/subsidies were used least often as funding (3.57%). The female respondents made greater use of their own savings and family support (33.93%), while male respondents used slightly more bank loans/microfinance (23.21%).

Interpretation: It is evident that entrepreneurs mostly use personal sources of funding and not governmental sources. The scarcity of grants/subsidies could imply problems with accessing funding programs or reluctance to utilize them.

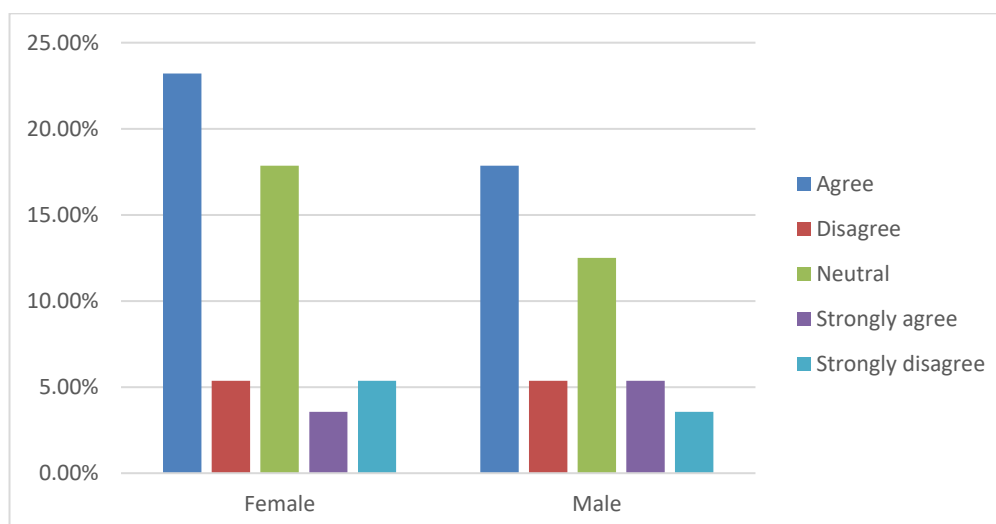


Securing formal financial capital (loans, grants) is highly critical for launching and expanding my business operations.

1. Gender	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Grand Total
Female	23.21%	5.36%	17.86%	3.57%	5.36%	55.36%
Male	17.86%	5.36%	12.50%	5.36%	3.57%	44.64%
Grand Total	41.07%	10.71%	30.36%	8.93%	8.93%	100.00%

Analysis: There was substantial consensus among the survey takers (41.07%) who strongly believe that the importance of accessing formal financial capital is paramount for starting and growing businesses. Those who held neutral views constituted 30.36%, while only 10.71% disagreed with the statement. Strong agreement and disagreement both accounted for 8.93%.

Interpretation: The results show that the majority of entrepreneurs realize the significance of having access to formal financial institutions for business sustainability. Nevertheless, the percentage of those holding neutral views is relatively high, which can point to other means of finance procurement by some respondents.

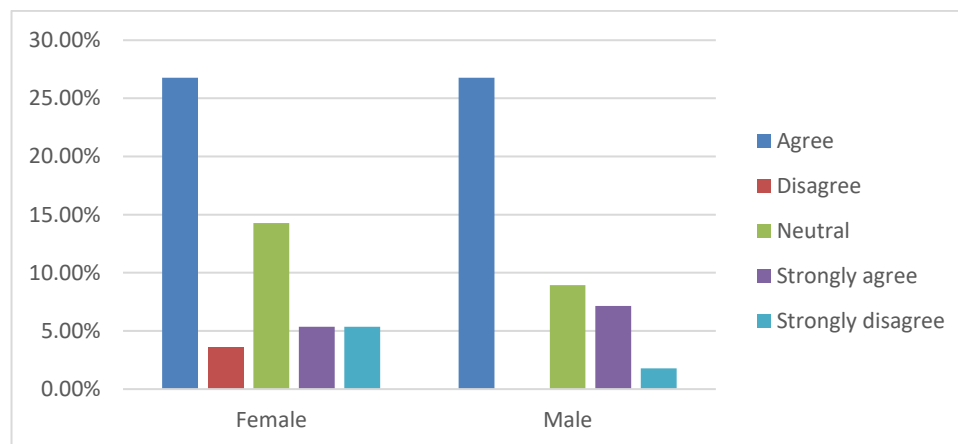


Dependent Variables:

Expanding my business operations consistently leads to the creation of new, permanent job roles.						
1. Gender	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Grand Total
Female	26.79%	3.57%	14.29%	5.36%	5.36%	55.36%
Male	26.79%	0.00%	8.93%	7.14%	1.79%	44.64%
Grand Total	53.57%	3.57%	23.21%	12.50%	7.14%	100.00%

Analysis: Over half of the surveys (53.57%) strongly agreed that the expansion of businesses always leads to the creation of new permanent employment opportunities. The percentage of respondents giving neutral responses stood at 23.21%. On the other hand, the percent of people who disagreed was 3.57%.

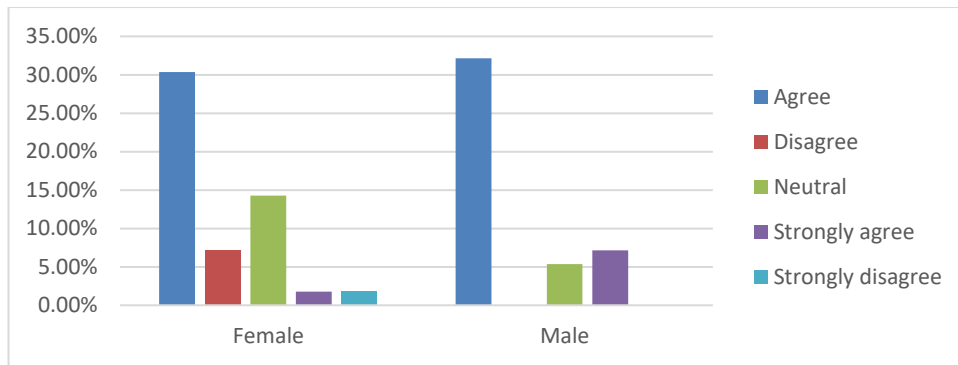
Interpretation: It can be seen from the above data that there is a positive attitude towards the expansion of businesses as the creator of permanent jobs for the economy. The expansion of businesses is seen as a contributing factor in the development of the economy.



My business actively creates seasonal or part-time employment opportunities for the local community.						
1. Gender	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Grand Total
Female	30.36%	7.14%	14.29%	1.79%	1.79%	55.36%
Male	32.14%	0.00%	5.36%	7.14%	0.00%	44.64%
Grand Total	62.50%	7.14%	19.64%	8.93%	1.79%	100.00%

Analysis: A majority of surveys (62.50%) agreed that their businesses provide seasonal/part-time employment opportunities. The percentage of neutral responses was 19.64% against 7.14% who disagreed. The percentage of people who strongly agreed (8.93%) was greater than those who strongly disagreed (1.79%).

Interpretation: The findings have revealed that businesses have a substantial impact on offering flexible employment options to people in their immediate surroundings. These findings imply that entrepreneurial endeavors not only help the businessmen but also help people become economically active through flexible employment options.



Reliability Test:

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.839	.840	4

SPSS Test

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
12	The categories of 12. Expanding my business operations consistently leads to the creation of new, permanent job roles. occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
13	The categories of 13. My business actively creates seasonal or part-time employment opportunities for the local community. occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
14	The categories of 14. My business provides competitive wages and stable employment that improves the livelihoods of my workers. occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
15	The categories of 15. Increased revenue in my business is directly reinvested into hiring more staff. occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
16	The categories of 16. External market challenges (like inflation or economic shifts) severely limit my capacity to hire new employees. occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

N Par Tests

Descriptive Statistics								
	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
11. Formal entrepreneurship training or previous business experience has significantly improved how I manage my enterprise.	56	3.70	.989	1	5	3.00	4.00	4.00
12. Expanding my business operations consistently leads to the creation of new, permanent job roles.	56	3.48	.874	1	4	3.00	4.00	4.00

Chi-Square Test

Frequencies

11. Formal entrepreneurship training or previous business experience has significantly improved how I manage my enterprise.			
	Observed N	Expected N	Residual
1	2	11.2	-9.2
2	4	11.2	-7.2
3	14	11.2	2.8
4	25	11.2	13.8
5	11	11.2	-.2
Total	56		

12. Expanding my business operations consistently leads to the creation of new, permanent job roles.			
	Observed N	Expected N	Residual
1	4	14.0	-10.0
2	2	14.0	-12.0
3	13	14.0	-1.0
4	37	14.0	23.0
Total	56		

Test Statistics

	11. Formal entrepreneurship training or previous business experience has significantly improved how I manage my enterprise.	12. Expanding my business operations consistently leads to the creation of new, permanent job roles.
Chi-Square	29.893 ^a	55.286 ^b
df	4	3
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.2.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.0.

Findings:

- Structured training is a way to help people who are looking for a job become their own bosses. This is how most new entrepreneurs start out and they usually need to hire people to help them within three years.
- When a new startup hires someone, it has an impact on the community. It creates jobs in the area like in stores that supply the startup and in the neighborhood.
- People who have had training are more likely to have successful businesses. This means they can keep their employees for a time and do not have to lay them off suddenly.
- Many online businesses and digital companies create a lot of jobs that do not need a lot of skills like delivering packages. These jobs are mostly found in cities.
- New technology and special tools are also helping people who live in areas. For example, Agri tech initiatives are creating jobs, in farming communities that need special skills.

Conclusion:

In conclusion, the development of entrepreneurship functions as an excellent catalyst for employment, turning job seekers into dependable employers through a perpetual chain of recruitment processes. Whereas urban digital businesses employ semi-skilled manpower while rural programs modernize agricultural manpower, the sustainability of such jobs is strongly dependent on organized training within the institutions. Nonetheless, to tap into such opportunities of employment and cater for vulnerable populations, there is need for government action beyond provision of basic training, especially in addressing the problems of lack of seed funding and poor infrastructure.

Suggestions:

- Use the "Triad Model" framework of training and micro-loans combined, with infrastructure.
- Create an urban/rural comparison juxtaposing agritech with gig economy work.
- Discuss local supply chain and logistics multiplier effect.
- Compare high failure rates of untrained peers & untrained EDP graduates.
- Assess how funding women's self-help groups creates more resilient jobs.

Reference:

- Adenutsi, D. E. (2023). Growth of small and medium enterprise (SME) and the employment spillover effects in the labor market: An assessment of secondary employment channels in emerging economies. *Journal of Developmental Entrepreneurship*, 28(2), 145–167.
- Alzate-Alvarado, S., Ribes-Giner, G., & Moya-Clemente, I. (2025). Technology adoption dilemma: Firm performance over multiple years, market valuation, and sustainable human resource management in nascent firms. *International Journal of Human Resource Management*, 36(1), 89–114.
- Borah, M., & Bhowal, A. (2023). Creation of jobs in areas of economic distress: An analysis of a direct relationship between entrepreneurship development programs (EDPs) and reduction in local unemployment levels. *Journal of Regional Economic Studies*, 15(3), 210–228.
- Chatterjee, S., & Das, R. (2022). Assessment of Startup India initiative: Sectoral scale-up, economic registry at national level, and effect of state-level financial buffer on private employment generation. *Indian Economic Review*, 57(2), 301–324.
- Gupta, A., & Singh, P. (2022). Role of entrepreneurship education in youth employment and sustainable economic development: A 36 months tracking of graduates' labor market transition. *Research in Post-Compulsory Education*, 27(4), 512-5.
- Ecosystem Assessment of NASSCOM. (2023). Digital labor market pivot: Assessing sectoral division of employment creation within Urban E-commerce and Rural Agri tech startup ecosystems. NASSCOM Strategic Review Series.
- National Policy Monitoring Bureau. (2026). Lakhpati Didi and Drone Didi programs (2023–2026): A longitudinal assessment of high-tech vocational devices, self-help groups, and rural micro-entrepreneurship employment support services. Ministry of Rural Development, Government of India.
- Rietveld, C.A., & Patel, P.C. (2022). Bridging the entrepreneurial gender gap: A 97 country analysis of underutilized labor potential and community-based employment resilience. *Small Business Economics*, 58(3), 1421-1445.
- Sabon Gari Regional Study Group. (2022). Binary logistic regression model analysis of local economic centres': A study of innovation versus replication entrepreneurs in youth employment sustainability.