

IMPACT OF ENTREPRENEURSHIP ON UNEMPLOYMENT

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ABSTRACT

Entrepreneurship plays a pivotal role in reducing unemployment by generating new job opportunities, fostering innovation, and contributing to economic growth. This study examines the economic, social, and environmental factors influencing entrepreneurial success and its impact on job creation. The findings indicate that entrepreneurs drive employment by introducing innovative products and services, enhancing industry competition, and contributing to GDP growth. Social factors such as skill development, social mobility, and community development further enhance employment opportunities, while environmental factors including government policies, financial accessibility, and cultural attitudes significantly affect entrepreneurial growth.

The study concludes with recommendations for improving entrepreneurial ecosystems to maximize job creation and economic sustainability.

Keywords: Entrepreneurship, Job Creation, Economic Growth, Innovation, Government Policies.

1. INTRODUCTION

Unemployment is a pressing global challenge, with governments and economies constantly seeking solutions to generate sustainable employment opportunities. Entrepreneurship has emerged as a key driver of job creation, with new businesses fostering employment, market competition, and innovation (Schumpeter, 1934). By launching startups and small businesses, entrepreneurs contribute to economic development while also addressing social inequalities and improving local communities.

This study aims to analyze the role of entrepreneurship in job creation, the influence of social and economic factors on entrepreneurial growth, and the effect of government policies and resource accessibility on entrepreneurship success. Evaluating these factors provides insights into how entrepreneurship can be leveraged to combat unemployment and drive economic prosperity.

Objectives

To analyse the Role of Entrepreneurship in Job Creation.

To Assess the Influence of social and Economic Factor on Entrepreneurial Growth.

To Evaluate the Effect of Government Policies and Resource Accessibility on Entrepreneurial Success.

2. REVIEW OF LITERATURE

Entrepreneurship and Job Creation

Entrepreneurship is widely recognized as a crucial contributor to employment generation. According to Birch (1987), small businesses create more jobs than large corporations, as they are more agile and adaptive to market changes. Audretsch and Thurik (2001) argue that entrepreneurship leads to job growth by introducing competition, enhancing productivity, and fostering innovation.

Studies by Acs and Storey (2004) indicate that startups contribute significantly to reducing unemployment rates by creating diverse job opportunities for individuals with varying skill levels. Fritsch (2008) highlights that regions with higher entrepreneurial activity tend to have lower unemployment rates due to increased business dynamism.

Innovation and Economic Development

Entrepreneurs play a crucial role in economic development by introducing new products, services, and technologies (Schumpeter, 1934). Innovation-driven businesses expand job markets and create demand for specialized skills, leading to long-term economic stability (Aghion & Howitt, 1992).

Freeman and Soete (1997) suggest that technological advancements initiated by entrepreneurs lead to industry transformation, fostering job creation in both high-skilled and low-skilled sectors. Baumol (2002) emphasizes that entrepreneurs act as catalysts for economic diversification, ensuring employment growth in multiple industries.

Social Factors and Entrepreneurship Growth

The role of social factors in entrepreneurial success and job creation has been widely discussed. Gibb (1993) highlights that entrepreneurs contribute to workforce development by providing on-the-job training, mentorship, and skill enhancement programs. Shane and Venkataraman (2000) indicate that successful entrepreneurs influence others to start businesses, creating a ripple effect that boosts employment and economic activity.

Studies by Minniti (2008) suggest that entrepreneurs contribute to social mobility, enabling individuals to achieve financial independence and career growth. Naudé (2010) argues that entrepreneurship plays a fundamental role in poverty alleviation and economic inclusion.

3. ENVIRONMENTAL FACTORS

Government policies and resource accessibility

Government policies and institutional support play a vital role in fostering entrepreneurship. Djankov et al. (2002) highlight that countries with favorable regulatory environments, simplified tax policies, and strong legal protections tend to have higher rates of entrepreneurial success.

Access to capital is another crucial determinant of business growth. Studies by Levine (2005) and Kerr & Nanda (2011) suggest that limited access to financial resources and venture capital significantly hinder startup growth and job creation. Estrin, Mickiewicz, and Stephan (2013) underscore the importance of entrepreneurial ecosystems, including government support, infrastructure, and cultural attitudes, in shaping business success.

Table 1: General Information

Particulars	Number of Respondents	Percentage
Age		
Below 20	16	32
20-30	25	50
31-40	7	14
41-50	1	2
Above 50	1	2
Total	50	100
Gender		
Male	20	40
Female	28	56
Others	2	4
Total	50	100
Educational Qualification		
High school	4	8
Diploma	1	2
Bachelor's Degree	33	66
Master's Degree	10	20
PhD	2	4
Total	50	100
Occupation		
Student	26	52
Employee	9	18
Entrepreneur	12	24
Unemployed	3	6
Total	50	100

Source: Primary data

Interpretation

Age Distribution

The majority of respondents (50%) are between **20-30 years old**, followed by **32% below 20 years old**.

This suggests that **young individuals are more actively engaged** in entrepreneurship-related discussions and activities.

The percentage of respondents **above 40 years old is very low (4%)**, indicating that **older individuals are less likely to be involved in entrepreneurship-related activities or surveys**.

Gender Distribution

56% of respondents are female, while **40% are male**, and **4% identify as other genders**.

This indicates a **higher female participation rate**, suggesting that **women are actively engaging in entrepreneurial discussions and workforce participation**.

The presence of **non-binary or other gender identities (4%)** reflects **inclusivity and diverse representation in the entrepreneurial sector**.

Educational Qualification

A majority (66%) hold a bachelor's degree, indicating that higher education plays a significant role in entrepreneurship and employment opportunities.

20% have a master's degree, showing a reasonable level of advanced education among respondents.

A small percentage (8% have only a high school diploma and 2% hold a diploma degree), suggesting that entrepreneurial participation is higher among educated individuals.

Only 4% of respondents have a Ph.D., indicating that entrepreneurial activities are more common among individuals with undergraduate and postgraduate education rather than doctorate-level specialization.

Occupational Distribution

52% of respondents are students, showing that many young individuals are interested in entrepreneurship, possibly as a future career path.

24% identify as entrepreneurs, indicating that a significant portion of respondents are actively engaged in business ventures.

18% are employees, meaning they work in established organizations rather than pursuing self-employment.

6% are unemployed, which highlights a small portion of the population looking for job opportunities, potentially considering entrepreneurship as an option.

Key Insights

The study is dominated by young respondents, particularly those under 30 years old, reflecting the increasing interest of youth in entrepreneurship and business growth.

Higher educational attainment correlates with entrepreneurship participation, as most respondents hold at least a bachelor's degree.

The significant percentage of students (52%) suggests growing interest in entrepreneurship among the younger generation, likely influenced by educational programs and market trends.

The low number of unemployed respondents (6%) indicates that entrepreneurship could be contributing positively to employment opportunities.

Table 2: Economic Factors

Statement	SD	D	N	A	SA	Total
Entrepreneurship plays a significant role in reducing unemployment by generating jobs	6	2	15	22	5	50
Startups and new business creates employment for different skill levels	5	1	12	21	11	50
Entrepreneurs introduce innovative products and services that expand job markets.	3	5	12	20	10	50
The growth of startups foster competitions and enhance industry development.	4	3	19	19	5	50
Entrepreneurship significantly contributes to economic growth and GDP increase.	5	3	12	20	10	50

Source: Primary data

Interpretation

Economic Factors Table

The economic factors analyzed in this study provide insights into how entrepreneurship contributes to job creation, innovation, industry competition, and economic growth. The responses indicate varying levels of agreement on the economic impact of entrepreneurship.

Job Creation and Employment Generation

54% of respondents (Agree + Strongly Agree) believe that entrepreneurship significantly reduces unemployment by generating jobs, while 30% remain neutral.

This indicates a strong perception that entrepreneurship is a key driver of employment, but some respondents may still be uncertain about its direct impact on reducing unemployment.

64% of respondents agree that startups create employment for different skill levels, showing that entrepreneurial ventures offer job opportunities across various sectors and expertise levels.

Innovation and Industry Growth

60% of respondents (Agree + Strongly Agree) believe that entrepreneurs introduce innovative products and services that expand job markets.

This highlights the crucial role of innovation in fostering new employment opportunities and economic growth.

The level of neutrality (38%) regarding competition and industry development suggests that some respondents may not directly associate startups with industry competitiveness, possibly due to challenges faced by new businesses in sustaining long-term growth.

Entrepreneurship's Contribution to Economic Growth

60% of respondents agree that entrepreneurship significantly contributes to economic growth and GDP increase.

This indicates that most individuals recognize the economic benefits of entrepreneurship, though a significant portion (24%) remains neutral, possibly reflecting skepticism about whether all entrepreneurial activities lead to GDP growth.

Table 3: Social Factor

Statement	SD	D	N	A	SA	Total
Skill Development: Entrepreneurs contribute to workforce skill development through training and mentorship.	5	3	12	23	7	50
Small businesses and startups create demand for new technical and managerial skills.	5	3	9	22	11	50
Social Mobility: Entrepreneurship enables individuals to achieve financial independence and career growth.	6	2	16	16	10	50
Entrepreneurial success stories motivate others to start businesses, improving employment rates.	4	2	10	19	15	50
Community Development: Entrepreneurs helps in improving local economies by providing jobs opportunities.	4	5	15	16	10	50
Business growth leads to better infrastructure and economic stability within communities.	3	5	13	22	7	50

The social factors analyzed in this study examine how entrepreneurship contributes to skill development, social mobility, and community development.

Skill Development and Workforce Training

60% of respondents (Agree + Strongly Agree) believe that entrepreneurs contribute to workforce skill development through training and mentorship.

66% agree that small businesses create demand for technical and managerial skills.

This indicates that entrepreneurship plays a crucial role in enhancing workforce capabilities, helping individuals gain valuable skills necessary for employment.

Social Mobility and Entrepreneurial Influence

52% agree that entrepreneurship enables financial independence and career growth.

68% believe that entrepreneurial success stories motivate others to start businesses, improving employment rates.

This supports the idea that successful entrepreneurs serve as role models, inspiring others to pursue business ventures, which, in turn, enhances employment opportunities.

Community Development and Economic Stability

52% agree that entrepreneurs contribute to local economies by creating job opportunities.

58% believe that business growth leads to improved infrastructure and economic stability.

These findings reinforce the positive impact of entrepreneurship on community growth, emphasizing that businesses drive economic development through job creation and infrastructure improvements.

Table 4: Environmental Factor

Statement	SD	D	N	A	SA	Total
Government Policies: Government policies and financial support plays a crucial role in entrepreneurship success.	7	3	17	16	7	50
Bureaucratic regulations and taxation policies impact startup growth and job creation.	6	3	18	17	6	50
Access to Resources: Limited financial access and lack of mentorship hinder entrepreneurial success.	4	2	15	20	9	50
Startups need better access to capital, training, and technology for job creation.	4	3	14	21	8	50
Cultural Attitudes: Societal perception of entrepreneurship	4	4	14	20	8	50

influence individuals' willingness to start businesses.						
Risk- taking and failure tolerance in a country determine the success of new business.	6	1	16	17	10	50

Source: Primary data

Interpretation

Environmental Factor

The environmental factors analyzed in this study focus on how **government policies, financial access, and cultural attitudes influence entrepreneurship and job creation.**

Government Policies and Regulations

46% of respondents agree that government policies and financial support play a crucial role in entrepreneurial success, but 34% remain neutral.

Only 36% agree that bureaucratic regulations and taxation policies impact startup growth, while 36% remain neutral.

This suggests that while some entrepreneurs **recognize the role of government intervention, many are uncertain or feel that bureaucratic policies have an unclear impact on startup growth.**

Access to Financial and Business Resources

58% of respondents agree that limited access to financial resources and mentorship hinders entrepreneurial success.

62% believe that startups need better access to capital, training, and technology to foster job creation.

This confirms that **financial constraints and lack of mentorship are key barriers to entrepreneurship and employment growth.**

Cultural Attitudes and Risk-Taking

56% agree that societal perceptions of entrepreneurship influence individuals' willingness to start businesses.

54% believe that risk tolerance and failure acceptance determine the success of new businesses.

These results highlight the importance of **cultural attitudes in shaping entrepreneurship**—societies that encourage innovation and risk-taking tend to produce more successful businesses.

4. CONCLUSION

Entrepreneurship plays a **crucial role in reducing unemployment, fostering economic growth, skill development, and social mobility.** The findings of this study highlight how **entrepreneurs create jobs, drive innovation, and contribute to industry competition, ultimately leading to a more dynamic and sustainable economy.**

Job Creation and Economic Growth

Entrepreneurship significantly contributes to **employment generation**, with startups creating **diverse job opportunities** across different skill levels. Entrepreneurs also **enhance market competition and drive industry growth**, leading to **GDP expansion** and economic stability.

Skill Development and Social Mobility

Entrepreneurs provide **training, mentorship, and workforce development**, equipping individuals with technical and managerial skills. **Successful entrepreneurs inspire others**, encouraging more individuals to pursue business ventures, thus **boosting employment rates and financial independence.**

Community Development and Infrastructure Growth

Small businesses and startups **support local economies** by providing employment and stimulating investment in **better infrastructure and economic stability.**

Government Policies and Regulatory Challenges

Government policies play a **crucial role in supporting entrepreneurship**, but **bureaucratic challenges and limited financial accessibility hinder startup growth.** Many entrepreneurs face **difficulties securing funding and mentorship**, limiting their ability to **scale their businesses and create more jobs.**

Cultural Attitudes and Risk-Taking

Societal perceptions of entrepreneurship and **risk tolerance influence business success.** Countries and communities that **embrace entrepreneurship and innovation tend to foster higher levels of job creation and economic development.**

5. RECOMMENDATIONS

Enhancing Government Support Programs

Policymakers should provide **better financial assistance, tax incentives, and business-friendly regulations** to encourage entrepreneurship.

Expanding Access to Funding

Governments, financial institutions, and investors should offer **more accessible funding options, such as microloans, grants, and venture capital**, to support startups and small businesses.

Promoting Entrepreneurship Education

Schools, universities, and training institutions should integrate **entrepreneurial skills, innovation, and business management** into their curricula to **prepare future entrepreneurs**.

Fostering a Risk-Tolerant Business Culture

Societies should promote a mindset where **entrepreneurs are encouraged to take calculated risks, and failures are seen as learning opportunities** rather than setbacks.

Improving Mentorship and Business Support Networks

Establishing entrepreneurial incubators, mentorship programs, and networking opportunities **can help new business owners gain** valuable insights and guidance **to navigate challenges**.

Entrepreneurship is a powerful tool for economic growth, employment generation, and community development. **However, for its full potential to be realized**, governments, financial institutions, educational bodies, and society must collectively create an environment that supports business growth, innovation, and risk-taking. **By** strengthening entrepreneurial ecosystems, **we can** reduce unemployment, boost economic stability, and empower individuals to create sustainable businesses for the future.

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