



Youth Entrepreneurship in India: Driving Economic Growth and Social Inclusion – A Study

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ARTICLE INFO ABSTRACT

Indian youth entrepreneurship has become a central driver of economic development and social inclusion by empowering young people to innovate, generate employment, and solve societal problems. In the last few years, there has been increased enthusiasm for youth entrepreneurship, primarily attributed to the mounting rates of young people's unemployment and the establishment of entrepreneurship as a potential method to generate job opportunities. It has also been viewed as an approach to preventing social exclusion through the inclusion of young people into the economic mainstream. As global economies, youth entrepreneurship has become an essential factor that can improve the economic competitiveness, innovation, and regional development of economies. The significance of developing entrepreneurial abilities among the youth cannot be overemphasized, as young entrepreneurs introduce new ideas, creative solutions, and a dynamic business attitude that can immensely contribute to economic development. Most nations have increasingly come to appreciate this potential and are investing in programs and initiatives that seek to encourage young people to establish their own businesses. These initiatives are not merely job creation but empowering the youth to own their economic futures, hence decreasing reliance on the conventional employment industries that may no longer provide the same level of stability or growth prospects. To better understand the dynamics of youth entrepreneurship, a comprehensive study was conducted in Karnataka state in India. The study entailed interviewing and surveying young entrepreneurs through a standardized questionnaire that was meant to explore different dimensions of their entrepreneurial experience. The research sought to establish the most influential factors that motivate young people to pursue the entrepreneurial route, including access to resources, mentorship, market opportunities, and the socio-economic environment. This research analyses the prospects, challenges, and policy contexts shaping youth startup ventures, underlining their contribution to unemployment reduction, regional inequality bridging, and inclusive development. By means of qualitative and quantitative examination, the study delves into critical success factors, finance access, skill building, and the implications of digital change on entrepreneurial activities. The study emphasizes the importance of specific government programs, public-private partnership, and curriculum reforms to ensure long-term youth entrepreneurship as a driver of India's socio-economic development.

Key words: Youth Entrepreneurship. Unemployment, Regional inequality, Skill building, Inclusive Socio-Economic Development.

Introduction:

Youth entrepreneurship in India has acquired immense momentum as a prime mover of economic growth, innovation, and social inclusion. With a vast and youthful population, India is in the vanguard of entrepreneurial promise, where young-led start-ups and small enterprises are transforming industries, creating jobs, and solving critical socio-economic problems. Still, in spite of this potential, young entrepreneurs have several challenges they encounter, including poor access to finance, insufficient mentorship, regulatory complexities, and knowledge deficits. This study investigates the emerging profile of youth entrepreneurship

in India, focusing on its economic growth and social equality impact. Based on a policy framework analysis, institutional facilitation, and cases of success, the research sets out to recognize measures that support an inclusive and sustainable entrepreneurial culture. The results will inform policy advice and programs that can enable India's youth to be agents of long-term socio-economic change.

Review of Literature:

Imran Khan (2025), in his study “Reducing youth unemployment in India? The impact of macroeconomic factors” published in 2025, explains how the functioning, unemployment, and even remittance siphons of the economy impact the NEET (Not in Education, Employment, or Training) status of the youth in India. His findings are based on a nonlinear autoregressive distributed lag (NARDL) model which captures asymmetric macroeconomic effects using annual time series data from 1994 to 2023. Amongst other things, the study notes striking conclusions that the NEET rates show a definite decline with higher rates of employment opportunities available, but disengagement increases with plunging remittances and declining participation in the workforce. To curb the problem of rising youth unemployment, the study advocates skill acquisition programs, marketed reform actions, and policies fostering diversification of income streams. Despite these sound suggestions, the study expresses regret over not integrating the measures for the quality of education and suggests incorporating them in further analysis to facilitate more holistic policy solutions.

Peer Nadeem and Dr. Savitri Singh Parihar (2024), the paper titled “**Role of Entrepreneurial skills in promoting sustainable growth in India**”. This paper explores the critical role of entrepreneurial skills in promoting sustainable economic growth in India, emphasizing their impact on innovation, job creation, and social transformation. The authors highlight how entrepreneurship drives productivity, resource optimization, and inclusive development while addressing challenges such as limited access to finance, regulatory barriers, and infrastructure gaps. Through a qualitative methodology based on secondary data, the study examines government initiatives, entrepreneurial ecosystems, and measures to enhance entrepreneurial capabilities. Key findings suggest that fostering entrepreneurial skills can unlock India’s demographic dividend, reduce inequality, and support environmental sustainability. The paper calls for policy interventions, institutional support, and stakeholder collaboration to strengthen India’s entrepreneurial landscape and achieve long-term economic resilience.

Sharma and Madan, (2014), This study titled “Effect of Individual Factors on Youth Entrepreneurship - A Study of Uttarakhand State, India”, investigated how personal parameters like self-employment history, work experience, self-reported intelligence, and the subject studied affect the entrepreneurial propensities of youth. The authors adopted a quantitative methodology, which involved surveying 530 chronological-finalist professional students (MBA, MCA, B. Tech, BHMCT, B. Pharm) from different colleges in Uttarakhand using stratified proportional sampling, and subsequently processed the data through cross-tabulation and chi-square testing. Some of their more pertinent results indicated prior self-employment adversely affected entrepreneurial intentions, while work experience lasting less than three years had little to no effect. Moreover, academics with higher self-reported intelligence showed less inclination towards entrepreneurship. Students pursuing MBA, MCA, and BHMCT had a marginally higher propensity towards the activity, perhaps due to some exposure to entrepreneurship courses as part of their curriculum. The evidence from the study suggests that fostering youth entrepreneurship in Uttarakhand requires improving entrepreneurship instruction, removing negative cultural attitudes toward entrepreneurship, and extending specialized aid to the students and people working in technical and management disciplines.

Objectives of the study:

1. To examine the role of youth entrepreneurship in driving economic growth, innovation, and employment generation in India.
2. To identify key challenges faced by young entrepreneurs in India in general and Karnataka in specific.

Hypothesis of the Study:

H₀₁: There is no significant difference in the key challenges faced by young entrepreneurs in India and Karnataka, and these challenges do not substantially hinder their business success.

Results and Discussions:

Table No - 01 Sources of an Idea for Incorporating an Enterprise

Sl. No	Sources of an Idea	Successful Enterprise	Unsuccessful Enterprise	Total (%)
1	Media and Business news papers	5	7	12
2	Friends and Family Members	15	32	47
3	Career advisors	7	3	10
4	Job Consultants & Business People	5	3	8
5	Government Training Programs	5	2	7
6	Others	6	10	16

Sources: Survey

In this table 01 presents data on the sources of ideas for establishing an enterprise, categorized by whether the enterprise was a successful or an unsuccessful enterprise. The total number of enterprises associated with each source is also provided. The statistics point out that "Friends and Family Members" were the most frequent source of business ideas (47%), yet this source also registered the highest failure rate (32 failed businesses vs. 15 successful ones), indicating that although personal networks are a source of inspiration for many businesses, they might not provide essential business know-how. By contrast, "Career advisors" and "Job Consultants & Business People" reported higher success rates (7 out of 10 and 5 out of 8, respectively), suggesting that expert advice can lead to more successful enterprises. "Government Training Programs" also enjoyed a fairly high success ratio (5 successful vs. 2 unsuccessful), confirming the worth of organized assistance. Conversely, "Media and Business newspapers" and "Others" were more failures than successes, suggesting that passive or general idea sources might not have practical utility. In general, professional and formal sources seem more useful than informal ones in supporting successful businesses.

Table No - 02 Reasons for Choosing Entrepreneurship as a Career Option

Sl. No	Sources of an Idea	Successful Enterprise	Unsuccessful Enterprise	Total (%)
1	Financial Independent	16	34	50
2	To be my own boss	2	5	7
3	To create jobs or impact on society	2	5	7
4	Dissatisfaction with Traditional work	2	3	5
5	To pursue passion	2	3	5
6	To earn more Money	9	14	23
7	Flexibility in work life balance	2	3	5

Sources: Survey

The table illustrates the genesis of entrepreneurial ideas and their correlation with business success. Financial freedom, which remains a frequent motivator (50%), is reported to have a greater failure rate (34 unsuccessful vs. 16 successful) which suggests that it may not serve as a strong personal success driver. Similarly, the motivation of making more money (23%) also has a higher ratio of failures (14 to 9 successes). On the other hand, 'being one's own boss', making a social impact (7%), dissatisfaction with the mainstream work model (5%), seeking passion (5%) and work-life flexibility (5%) are far more moderate in the ratio of success to failure and could yield more enduring ventures. Overall, while the financial objectives are paramount, non-monetary incentives appear to be more closely aligned with success, albeit needing more investigation to rule out external factors like market conditions and the accessibility of resources.

Table 03 Sources of capital

Sl. No	Sources of Initial Capital	Successful Enterprise	Unsuccessful Enterprise	Total (%)
	Personal Savings, Family and friends	15	36	51
	Loans from Bank & Financial Institutions	7	10	17
	Partnership Investment & Venture Capital	7	14	21
	Government Grants & Business Incubators	6	10	16
	Others	0	0	0

Sources: Survey

As shown in the table regarding capital, private savings and funds raised from friend and family networks are the most common and make-up 51% of the cases, however, these studies suggest the highest failure numbers 36 out of 51. This indicates that these easy to obtain, informal finance options are certainly low value, useless when it comes to achieving sustainable success in the future. Funding from financial institutions and loan banks constitute 17% and have a moderate success ratio 7 out of 17, but, in this case the higher number of failure cases 10 seem to be severe repayment pressures or cash flow deficits. Venture capital and partnership investments 21% of the total, have double the number of failures 14 compared to successes 7, indicating a strong likelihood of business failure caused by external investor pressure or mismanagement. Government grants and incubator support have a more positive success to failure ratio (6:10), but losing the battle of success predominate, likely due to inadequate business strategy undermined by "supporting" funding. The absence of alternative funding suggests lacking information or availability of widely known crowdfunding mechanisms, angel investors, or mentors where the funding stands at 0%. In most cases, apart from individual and informal financing, institutionalized financing and its various types appear to improve business survival rates, especially regarding the need of better business finance planning and strategy.

Table No - 04 Challenges in Startup Business

Attributes	Success and Unsuccess	Rank 01	Rank 02	Rank 03	Rank 04	Rank 05	Total (%)
Access to initial capital	Successful	2	5	5	8	12	32
	Unsuccessful	8	12	12	22	14	68
Govt. Policies, Rules & Regulations	Successful	5	12	2	8	5	32
	Unsuccessful	8	12	22	12	14	68
Socio-Cultural factors	Successful	8	5	5	2	12	32
	Unsuccessful	14	12	22	12	8	68
Educational policies, skills and Training & Development	Successful	2	5	5	8	12	32
	Unsuccessful	8	12	12	22	14	68
Business support, logistics & Marketing Problems	Successful	12	8	5	5	2	32
	Unsuccessful	22	12	14	8	12	68

Sources: Survey

Anova: Single Factor						
Challenges in Startup Business						
Groups	Count	Sum	Average	Variance		
Rank	11	90	8.181818	37.763636		
Rank	11	97	8.818182	15.163636		
Rank	11	107	9.727273	52.418182		
Rank	11	111	10.09091	43.690909		
Rank	11	110	10	18.2		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	30.36364	4	7.590909	0.2269515	0.922044	2.557179
Within Groups	1672.364	50	33.44727			
Total	1702.727	54				

Source: Author Calculation.

The ANOVA (Analysis of Variance) results show no statistically significant differences in the means of the five ranked groups ($F(4, 50) = 0.227$, $p = 0.922$). Since the p-value (0.922) is many times larger than any significance levels that would lead to a rejection of the null hypothesis (0.05), we do not reject the null hypothesis making it reasonable to presume that average scores from each of the groups exhibit variability primarily due to random chance rather than viable differences. Regarding results, the F-statistic of 0.227 is substantially lower than the maximum critical F-value of 2.557. Further, the within-group variance (33.447) is much larger than the between-group variance (7.591), adding evidence to support the position that most of the variation seen is due to differences within the groups rather than differences between the groups. In general, the ANOVA results show that there are no significant differences among the groups regarding barriers to entry in startup businesses based on the rankings of measures used in the study.

Conclusion:

The sample survey revealed that most young entrepreneurs, who had alternative occupational opportunities, preferred entrepreneurship as an occupation. Their prime reasons for opting for entrepreneurship were the need for autonomy and the possibility of a greater income. The desire for autonomy and greater income was the most dominant reason that influenced them to choose entrepreneurial enterprises instead of alternative forms of employment. Most young entrepreneurs in Karnataka encounter major problems, such as a shortage of working capital, intricate tax laws, and an absence of sufficient societal support. These challenges have been responsible for the less than stellar performance of entrepreneurial activities in the state, where everyone believes Karnataka has no indigenous, dynamic, and dedicated entrepreneurs. In fact, these problems have been dampening the potential of local entrepreneurs and have not allowed them to reach their full capacity and aiding the economic development of the state. Young people nowadays are bolder, industrious, and more career-focused than ever before. With proper training and exposure to entrepreneurship, they can be successfully developed into successful entrepreneurs. The shaping of this next generation of entrepreneurs is in our hands, and it is vital that we cater to their needs by equipping them with the requisite skills,

entrepreneurial mindset, and increased perceptions of what that they can accomplish. Developing these positive qualities, we can ensure an illustrious future for Karnataka and India through the empowered young population, accelerating economic growth and innovation. Entrepreneurship can be even more universally celebrated and powerful if we consciously promote and foster the process of change which has already set its roots among the youth of our country. The passion, imagination, and energy of young people are invaluable resources that, if well used, can result in far-reaching economic and social advancements. This change is not a momentary trend; it is a cornerstone shift in how the future generation sees their roles within society and economy. For the sake of having this entrepreneurial passion continue to survive and thrive, it is essential that we open more avenues and lift the barriers that may impede young entrepreneurs. These involve opening windows to access to capital, mentoring, nurturing encouraging policies, and making sure that entrepreneurial education is incorporated into the overall educational system. In doing so, we empower the youth with the weapons they require to turn their concepts into viable businesses. Moreover, the society's role in this regard cannot be overlooked. Promoting a culture that believes in innovation, risk-taking, and entrepreneurial initiatives is necessary to maintain this momentum. Educational institutions, the private and public sectors, and other stakeholders have to work together to establish an ecosystem that constantly nurtures entrepreneurship. This involves not just providing the resources but also recognizing and honouring the success of young entrepreneurs, inspiring others to emulate them. Today's youth are going to be the entrepreneurial masters of tomorrow, steering the future of our country with their businesses. By providing them with the support they need and resources, as well as motivational support, we can make sure that the process of transformation that we are seeing today will not only go on but also grow, resulting in a more dynamic and prosperous economy. Such continued support will assist in fostering a generation of entrepreneurs who are not only economic growth contributors but also innovators who solve societal problems, ultimately building a better Karnataka and a stronger India. Essentially, the future of our country's entrepreneurship hinges on the extent to which we can cash in on the existing shift of our young people. Through investing in them and providing even more opportunities to succeed, we can establish the foundation of a healthy entrepreneurial ecosystem that will not only reap benefits for the young entrepreneurs but the entire society. Once they become entrepreneurial citizens, what they will achieve will have enduring effects, powering progress and leave a legacy of prosperity and innovation for generations to come.

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