

Utilizing the Demographic Dividend: Startups during Corona Pandemic

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Abstract

Present paper highlights the need for utilizing the 'Employment Providing Potential' of startups for the youth of India. It further highlights the fact that India has heralded on many policies which lay down foundations to utilize the demographic dividend of India, yet it finds it difficult to accommodate the labor force that is getting added to its kitty every year which is almost equivalent to populations of some of the nations like Belgium or half of the population of Australia. The demographic dividend of India is a resource which should be utilized in a number of ways to boost the growth and development of its economy by engaging it, in various productive activities. The paper adopts the methodology of making use of secondary data and the reports pertaining to the scenario of India during the times of pandemic and the jolts that Indian economy has received at the hands of pandemic and the carnage it has inflicted. It tries to show the worth of startups during these testing times. The paper takes into consideration different reports published in connection with the falling employment levels of India during the times of corona pandemic and the role that can be played by the startups of India.

Keywords: Demographic Dividend, Youth, Employment, Startups, Corona Pandemic etc

Introduction

As per the definition of the Department for Promotion of Industry and Internal Trade (DPIIT), "A startup is any business entity, which has not completed 10 years from the date of its incorporation and if an entity's turnover for any of the financial years since its incorporation have not exceeded INR 100 crore." The startup has the advantage that it can be started at low cost and deliver production and employment of impressive amount. It can also fight the problem of centralization of industries in India. There can hardly be any doubt regarding the potential of startups in provision of employment for the youth of India. The new entrants into the labor force of India can serve as a pulley to lift away the burdens of poverty, hunger and underdevelopment from Indian economy. To the utter disappointment, this labor bank is forced to remain in doldrums of unemployment or employment, which can far be categorized as employment because it does not support any sort of dignified living. There are several factors for the wastage of this human resource endowment of India, ranging from policy lags to failure of education system.

For a nation like India where a significant proportion of its population lies below the poverty line it becomes very important to utilize each and every resource in a judicious manner and human resource is indeed the most important resource, which can bring about the required changes in the figures of growth and development of any given economy. India has been bestowed with demographic dividend and its labor force witnesses a healthy increase on year on year basis. But the problem lies in the effective utilization of labor force which gets added annually. This can only be done, through formulation of right kind of strategy and generating right magnitude of employment opportunities, which can fuel the growth furnace of Indian economy.

The advent of pandemic and other potential problems, which are still to appear as the pandemic spreads further and finally subsides will further shape the type of strategies that would be required to counter the problem of slow economic growth and fastest ever growth in labor force figures of India.

Since its independence India has been unable to catch pace with growth in labor force figures, even after adopting the ambitious reforms in the year of 1991 and following the trade policy norms advocated after the

inception of WTO and its policies. India still fails to engage its major chunk of population into some fruitful livelihood earning methods. As per the figures published by international labor organization in the year of 2019 the youth unemployment (unemployed youth between 15 to 24 years) rates in India was 23.34 percent which is higher than the adult unemployment rates. It is also higher than the national unemployment rates of India which stood at 5.36 percent in 2019. If seen in comparative terms the unemployment rates in India are lower than other countries or its global equivalents and it occupies a middle position in terms of unemployment. When compared with countries lying in Asia Pacific region, India ranks in middle position as the unemployment rates of Cambodia is below 1 percent and that of Afghanistan is 8.8 percent. It is thing of common knowledge that the governmental machinery and employment opportunities churned out by it, are not sufficient to engage the annual workforce increase in India which is to the tune of 10 to 12 million on year on year basis. So there has to be an answer to this lag in employment generation and the annual turnover of labor force. The most viable answer to this chronic problem of unemployment is 'Startup Revolution'. Startups are the only way-out which can support the already going on trend of self employment, which has been supporting the vast majority of population in India.

Review of Literature

There have been many researches, pertaining to the role of startups, in providing employment to the growing populations around the world and in India specifically, there has been plethora of research and evidence.

Sudeepa S. (2015) in her work "The Startup Age" aimed at the role of the startups in boosting the morale of Indian business community. It majorly emphasized on the role of people and their visions regarding the strategy of development through small businesses. These small businesses were the one which were started by the people who were not backed by good financial backbone, but had the strategy and ability to develop. It further highlighted the role of government in relaxing the norms, in providing necessary support, in terms of the much needed finance and providing technical support, to forward them on the path of becoming mega business giants.

Pritam S. (2015) stated in his work that, it is majorly through startups that the future of Indian business is going to frame itself. These small businesses need little finance, to start but have immense potential to generate revenue. In addition to giving business to economy these small giants contribute impressively in providing much needed employment to the growing work force of the economy, for both educated and uneducated strata of population.

Das Sughan (2016) noted in his work that startups can be a solution to all the problems of Indian economy which mar the progress of both its people and economy. They are the future in terms of growth and development of Indian economy. They are also

instrumental, in providing the much needed decentralization of industries, which can solve the problem of regional disparities in industrial development and balance the process of growth in industrialized states and states devoid of industries.

Sanghvi P. (2016) pointed towards a very important fact, regarding startups. He came up with the theory of 'Best out of Least' efforts. His work stated that it is possible through the setting up of startups, with the help of government and indigenous resources, that the poverty of Indian masses can truly be subsided. These startups promise to revive the lost businesses which can't be pursued by big business houses owing to the scale of operations and lesser profitability. Small cottage level production which was unable to run on commercial lines has got a new ray of hope, in the form of startup movement introduced by the government of India.

Nirvan L. (2017) emphasized the concept of ease of doing business, in case of startups. He stated in his work that startups are easy to establish with small funding and much easier to run than big business houses, which require lot of expertise and finances to run and manage them. Startups grow on strong foundations, by progressing from small to big businesses and can lead to better results than many big ventures.

Tirumala D. (2017) in her research work laid emphasis that if given proper support and guidance startups can solve the problem of both centralization of industrial development in Indian economy and problem of unemployment prevalent in Indian masses.

Objective of the study

Present paper endeavors to highlight, the importance of startup movement in India and its potential, in general to help government and people, fight the chronic problem of unemployment and use the demographic dividend. It also discusses the role of startups, during corona pandemic, in ousting Indian economy from the times of uncertainty, which have been inflicted, due to the changing epicenters of the pandemic and uncertainty of its existence and spread.

Data and Methodology

The study in general uses secondary data from different published resources and websites, for the purpose of analyzing the situation. With the collected data, it discusses how demographic dividend of India can be utilized, by taking the help of startup initiative and generate employment to help economy fight the corona pandemic specifically, and unemployment in general.

Corona Pandemic Effect

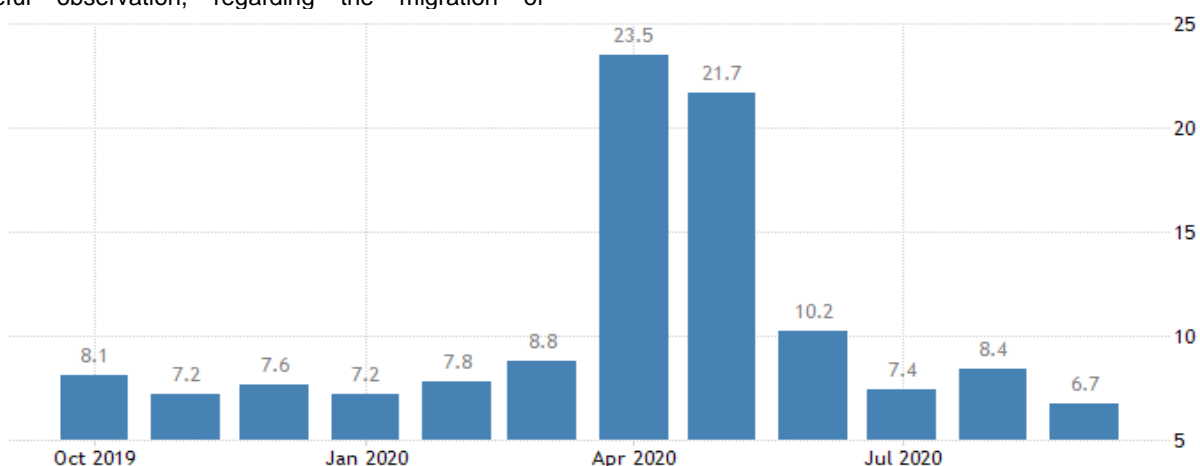
The carnage inflicted by the corona pandemic is far from normal. It has affected every aspect of the economy of nations and lives of the people inhabiting them. It is expected that its impact will last at least the end of 2020. Till then all the economies of the world are taking steps to stop its spread to its masses. The production capacities have come to virtual standstill and whatever is going on, can be hardly called upon as normal and barely enough, to support their economies' growth figures and wellbeing of people. India is no different and has its own challenges. It has been countering with the

problem of unemployment since its independence. Though India is one of the economies which are known for its fastest growth and is member of G-20 nations and BRIC countries (Brazil, Russia, India and China), which is an association based on the parameter of rapid growth of these economies. The development of India is fuelled by its manufacturing sector, but its services sector is the one which stands at the forefront and is the most important economic factor. It is the sector which provides employment to the major chunk of population of India and provides boost, to the economy of India, in terms of economic growth and development. Efficiency in production of goods, along with maintenance of low debts in comparison to the magnitude of goods and services produced, has led to some of the most significant gains, when it comes to the performance of its productive capacities. Despite all these impressive growth figures, India still lags behind the nations, included in BRIC group with its minimal and stagnant growth figures. The growth was basically marred, by the large trade deficits, on account of larger imports, in comparison to exports and debts, to finance different developmental activities and subsistence needs of the nation.

The corona has led to one very powerful and useful observation, regarding the migration of

population from various states again to their hometowns. These people, who were employed, overseas or in different states of India in different ventures, had to drift homewards in want of food and shelter, when they lost their jobs in the states, where they were employed. This emphasized the need for decentralization of industries and developing indigenous resources, so that they can employ people in their hometowns and reduce the need, for migrating to larger cities. Even the larger cities are feeling the pressure of excess manpower and competition for food and water in these cities. These cities are developing large slums, owing to pressure on their existing infrastructure and civic utility services.

Following bar diagram throws light, on the real scenario of employment before the advent of corona pandemic. It also shows the figures, when people gradually started to cope with the pandemic and started their own ventures. The unemployment came down, owing to the efforts taken by the central and state governments through different employment schemes. It can be seen from the diagram that unemployment was at the peak in the months of April to June. It decreased, in the month of July to the level of 7.4 percent but again increased, in the month of August, to decline in month of September 2020.



Source: Tradingeconomics.com
Hurdles

There are numerous hurdles, which slow down the pace of entrepreneurship in India and upgradation process. The entrepreneurs are saddled with numerous regulatory impediments like financial blocks, low availability of capital, poor infrastructure leading to increased operational costs. To quote the National Knowledge Commission, "50% of the entrepreneurs experienced difficulties while seeking statutory clearances and licenses. Two-third of them faced hassles, while filing taxes and 60% claimed to have encountered corruption. Another hurdle was in accessing reliable information, on registration procedures, finance and other schemes. 56% claimed that the paucity of quality infrastructure – especially transport, power, and telecommunications – was a critical barrier", (index mundi). The country and society, also needs to change the attitude towards entrepreneurship. Schools and other centers of

learning, should promote entrepreneurship. Attitude towards risk and failure should be addressed. The political and administrative framework should ensure, smooth establishment of startup ventures. Though, there are many sources of support for startups providing seed capital incubators, angel funds and venture capital funds and private equity and debt capital yet they are very meager, in comparison to the vastness of the nation and individuals, who are seeking help, to establish their startups. One in several thousands of aspirants is able to get the required support, which too is not up to the need and magnitude that is required. The regulatory framework should be made startup friendly and should ensure one spot clearance, not only on papers but in reality.

Government has introduced many, changes like ease of doing business in form of Udyog Adhaar, amendments in the apprentices Act, 1961, the apprentice Protsahan Yojana, make in India Programme, Skill India programme, ASPIRE Scheme,

Mudra Scheme, Micro Units Development & Refinancing Agency operated by SIDBI, Atal Innovation Mission (AIM) to name a few, along with several other changes, to facilitate the growth of entrepreneurship in India. But all has so far failed to yield the type of output, which could have been attained if the policies really were implemented in the manner they were supposed to. The bureaucratic machinery and the red tapist attitude, still rules the roost in India. This scenario, makes it next to impossible to open up, any new venture and run it successfully. Even the programmes intended to provide help for self employment, by the name of SETU (Self Employment and Talent Utilization) remained far from the reach of common people. The Skill India Mission and other such initiatives have made their mark in limited capacities.

Much has been done on papers and nothing seems visible, on ground. It is a dilemma that grants and help, which are supposed to reach the poor and talented, to open up their ventures, is garnered by people, who hardly need it. If in any case, the grant is justifiably distributed than the process itself, is so cumbersome that it leads to multi level scrutiny of unnecessary nature that a person who is not versed with technical details of filling up the forms, easily falls a prey to the trap of treachery, inflicted upon him by mediators, who feed on commissions. Even a simple loan reaches the real lender after several deductions, which are not only unnecessary, but also not warranted. The people from SC/ST and the disabled hardly have the education level, which is supportive of dealing, with the technicalities of receiving a government grant. In such a situation figures, which appear on papers are not only false but also misleading in many cases. They may be forged and even if they contain some truth, the amount received by the real beneficiaries, is not more than one tenth of the real amount distributed. The employment which is created, too does not last long as there is no policy to regulate and keep a check on the practices which are being practiced.

The startup sector, which has been functioning and is in the need of proper finances, too faces several hurdles. There have been numerous hurdles, in the smooth functioning of startups some of them are listed as under:

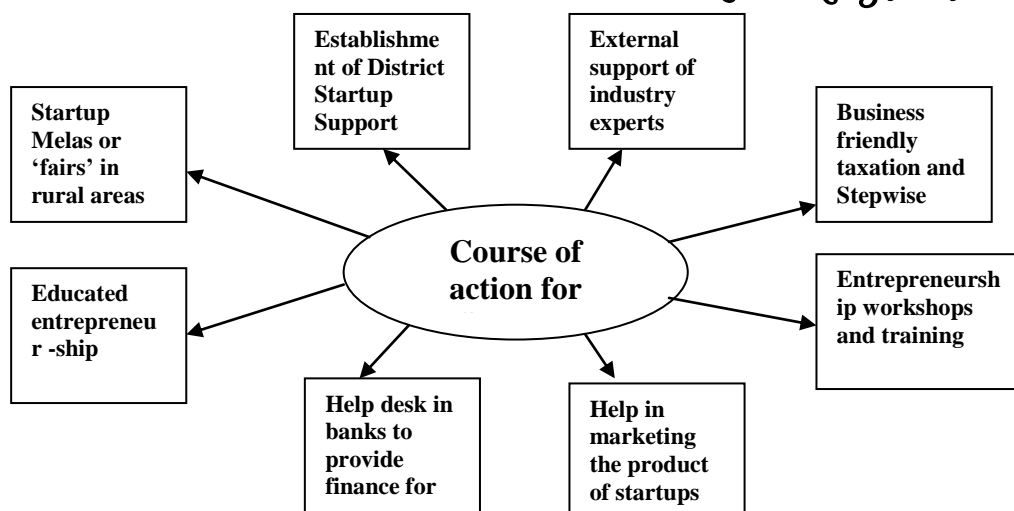
1. The marketing platform that is available to these startups is inadequate and is infested with, weak marketing linkages, which make the marketing and sale of the products manufactured by them, a challenging affair.

2. The technology that is used by the startups is outdated and obsolete. It hardly supports the requirement of the units of startups and the result is low level of productivity. This makes the products of startups, incompetent for international marketing and startups incur losses.
3. The credit facilities available with startups, is far from sufficient and do not address the need of technological upgradation and other inventory development. As a result they fall a prey, to complex credit sanction procedures and collateral needs, by the banks. Further, there are delays in getting the disbursement of credit and that too is available, at high rates of interest. Timely availability of credit, is very much crucial and decisive factor in growth of startups.
4. The regulatory processes are the one, which are most detrimental to the progress of startups. There are no common practices, which can regulate the whole gamut of needs. Regulations pertaining to construction, resolving insolvency, collateral securities and taxation are the constraints, which do not lead the startups, to function at their full capacities.
5. To make startups the future of Indian growth, government needs a proper machinery and appropriate policy framework, to ensure that the finances which are granted by it reaches, the real sector and real people, wherein it can be utilized without much hassle and bureaucratic hurdles.
6. India is a very big nation which has an economy and population, which needs a focus on war scale to at least bring the employment, levels to decent figures. For that the policies and the financing schemes available, through venture capital, government schemes or other Fintech firms are not more than a drop in ocean.

The Course of Action

Following steps can be undertaken by the government, to help startups grow and make entrepreneurship a norm of Indian economy:

India is one of the nations, which can boast of its robust workforce which is scaling ever new horizons, but it fails to accommodate them in its loose framework to gain benefits of its latent power. There are several reasons and policy lag, is one of the major reasons, besides lack of capital backbone, to generate the type and magnitude of employment, which can employ the swelling workforce of India. The strategies followed by the planners need an overhauling and ponder over the areas, which can help the growth of startups and their smooth functioning are presented in the chart given below:



Establishment of District Startup Support Centers

Establishment of district startup support centers is one of the measures that should be immediately put to practice. These centers can offer to act as a light house for the proper provision of required guidance and support to the people of adjoining rural areas, which hardly have any support. These centers can lead the youth in proper direction and help them find necessary material and training to set up start ups.

External Support of Industry Experts

The experts from industries come very handy for new start ups. These experts can give them hands on some very useful tactics and tips, in terms of practical knowledge and exposure, to deal with real life situations in course of starting and running a business.

Focus on Small Businesses

The startups have inherent advantage to reap the benefits of business, at small level of operation. These start ups just focus on small businesses which do not require large amount of finance and manpower, to start and operate. Government should take initiatives, to provide these start ups all the necessary support and guidance, to come forward and operate with full power and vigor. Business Friendly Taxation and Stepwise Monitoring of Startups

There should be a provision of incubation centers, at the district start up support centers which can select the start ups, which come up with feasible idea and have prospects of gaining profits in their operation. These startup ideas should be materialized and should be monitored, at every step to see if anything goes haywire can be corrected, well in time. Moreover, the taxation schemes should be checked, with every detail and should be ensured that they are startup friendly and do not exert undue pressure on the newly set up enterprise.

Entrepreneurship Workshops and Training

Entrepreneurship workshops and training programmes, conducted by government and other agencies are very important for the owners of startups, who lack practical exposure in the market

And who face numerous problems when confronted with real life situations and fall prey to treachery of Mediators and other malpractices of the market. So it is imperative, to provide them necessary entrepreneurship training, to deal with the complexities of new businesses, they have started.

Help In Marketing the Produce

Startups generally face problems, in marketing their produce. They do not have enough finances, to market and advertise their produce. So it is the duty of the government, to provide proper resources and some umbrella programme and a specific platform, where these small new entrants can advertise and market their produce.

Help Desk in Banks to Provide Finance for Startups without Middleman

India has specialized banking and other services, to cater to the needs of small scale sector, still the sector falls prey to many practices, which mar its development and its capacity to contribute in the growth figures of the nations and attain its own growth. Besides that it fails to operate, at its full capacity and support, in employment generation of the economy, it is capable of, due to several policy lags.

Newly set startups or people who require finance, for starting a new business, require loan from banks. But when they go to the banks, they are normally looted, at the pretext of middleman commission and they fall to the treacherous practices of these bank mediators and middleman. To put an end to these malpractices, loans for these startups can be provided, with ease and without any ambiguity. Educated Entrepreneurship

As per the figures of modeled ILO estimates, the percentage of people, who are self employed in India stood at 77.89 and if taken separately for male and female, the figures were 80.34 percent for females and 77.20 percent for males. These figures, clearly point towards the importance of entrepreneurship in India and need to revamp, the whole structure of entrepreneurship, to increase the levels of qualitative employment and boost up, the level of employment for their counterparts as well. Even the S P Gupta special group in 2002 and the

report of Dr. Montek Singh Ahluwalia emphasized on increasing focus, on generation of entrepreneurial capabilities and skill for self employment (index mundi).

Startup Melas ‘Fair’ in Rural Areas

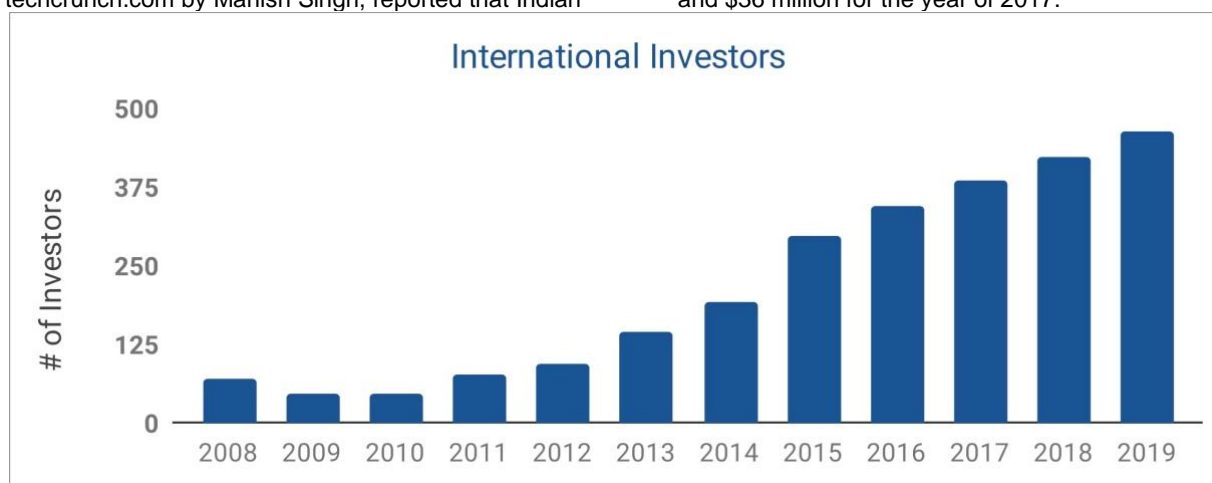
State governments and central government should take initiatives to organize startup fairs or melas, to showcase the products of startups and provide them a platform, to market their produce and increase their reach among common masses.

Latest Developments and Startup Support

As per an article entitled Indian tech startups raised a record \$ 14.5 B in 2019, published in techcrunch.com by Manish Singh, reported that Indian

startups have raised a record \$14.5 billion in 2019. This indeed is remarkable news for the people who are associated with small businesses or are intending to open up a new business.

As per the data published by a research firm Tracxn in the year of 2018, the startups were able to raise funds, to the tune of \$10.6 billion, but the latest figures are truly encouraging. This fund raising was materialized after 1,185 financing rounds. Tracxn also reported that as many as 81 financing deals got materialized the size of which ranged between \$25 million to \$ 100 million. This figure has upgraded from the previous figure of \$56 million for the year of 2018 and \$36 million for the year of 2017.



Source: techcrunch.com by Manish Singh Findings

1. India has a large demographic dividend which can be utilized to fuel its growth and development.
2. The corona pandemic has laid emphasis on small businesses functioning at local level which can help the youth find jobs in the nearby vicinity of their home towns.
3. Startups were able to reduce unemployment during corona pandemic, as they could be easily started with very less finances.
4. Startups can reduce the pressure on large cities and their capacity of civic utility services.
5. Startups can be developed by taking certain initiatives and providing them necessary help, by the state and central government, by providing them training, finance and marketing help.
6. Several startups have been able, to garner support and funds, to establish and develop themselves.

Suggestions

It is imperative on the part of government to initiate the setting up of startups at war scale. It should help the aspiring people, with all means by providing them the required finances and training, for setting up and running startups. Normally, small businesses run into rocky shores and incur losses. To reduce the losses the central government and the state governments should set up some agencies, to oversee and guide startups, in their day to day businesses. These agencies should also open channels for marketing the product of these startups. They should ensure the product meets the standard requirements

of quality. Export of the produce of startups can also be a solution to increase the sales.

Conclusion

The paper highlights the need and scope of startups in a nation like India which has large demographic dividend. Startups came very handy in reducing the unemployment which shot up due to the advent of corona pandemic. Moreover, India suffers from a backlog of unemployment of almost all types. It has huge demographic dividend which remains underutilized. Startups acted as a good solution to fight a pandemic like corona and they can be instrumental in engaging the huge demographic dividend of India. Demographic dividend is a blessing which many nations aspire. In addition to these factors in favour of startups, India is a nation with large geographical disparities, which make startups the only solution for the increasing workforce. Large industries require huge investments and cannot be established easily but startups require lesser amount of funds. But startups can provide better and larger amount of employment, if total employment creation by startups is taken into account. The rural economy of India can have better solution, for the seasonal unemployment, in the form of startups. The people residing in rural areas can easily work in startups and earn their livelihood. This can stop their exodus to cities in large scale. Further it can correct the pressure of huge population and pollution in metropolitan cities.

“Startups are the best bet for providing employment and growth, for the country like India, which has huge

population and lack of capital resources to engage that population.”

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