



THE ROLE OF START-UPS IN EMPLOYMENT GENERATION: A COMPARISON BETWEEN TECH START-UPS AND TRADITIONAL BUSINESSES

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ABSTRACT:

Start-ups have become increasingly important in modern economies, driving innovation, entrepreneurship, and job creation. According to the World Bank, start-ups account for a significant proportion of new job creation in many countries. Start-ups play a crucial role in employment generation by creating new job opportunities, fostering innovation, and driving economic growth. However, despite their potential, start-ups often face significant challenges in generating employment, including limited access to finance, talent, and markets. Start-ups play a role in employment generation in the following ways:

1. Startups often create new job opportunities by establishing new ventures and expanding existing businesses. They hire individuals with diverse skill sets, from managerial and technical roles to sales and customer service positions.
2. Entrepreneurs drive innovation by identifying gaps in the market and developing new products or services. This often leads to the creation of entirely new industries and job roles, such as those in e-commerce, artificial intelligence, and data science.
3. By introducing innovative solutions and improving processes, startups contribute to economic growth. This, in turn, creates more job opportunities and boosts overall employment rates.

Startups can stimulate regional development by establishing businesses in underserved areas, thereby decentralizing economic activity and creating jobs in those regions. The topic of start-ups and employment generation is therefore highly relevant and timely. It is an area that has received significant attention in recent years, and one that has the potential to make a significant impact on economic growth and employment generation. Programs like "Start-up India" aim to foster a robust ecosystem for innovation.

Key terms: Start-ups, Employment generation, Entrepreneurship, Innovation

INTRODUCTION

The world is facing an unprecedented challenge of unemployment, particularly among youth. According to the International Labour Organization (ILO), the global unemployment rate stood at 5.7% in 2020, with an estimated 172 million people



unemployed worldwide. The situation is even direr for youth, with the global youth unemployment rate of 13.6% in 2020.

In recent years, start-ups have emerged as a key driver of economic growth and employment generation. Start-ups are new businesses that are typically characterized by innovation, entrepreneurship, and high growth potential. They have the ability to create new job opportunities, stimulate innovation, and drive economic growth.

The Importance of start-ups in employment generation cannot be overstated. According to a report by the Kauffman Foundation, start-ups account for a significant proportion of new job creation in the United States. Similarly, a report by the OECD found that start-ups are a key driver of employment growth in many countries.

In recent years, there has been a growing recognition of the importance of start-ups in employment generation. Governments, policymakers, and stakeholders are increasingly seeking ways to support start-ups and promote

Despite their potential, start-ups face numerous challenges in generating employment. These challenges include limited access to finance, talent, and markets, as well as regulatory barriers. Additionally, start-ups often operate in a highly competitive environment, making it difficult to scale and create jobs.

This includes initiatives such as start-up accelerators, incubators, and funding programs. Start-ups have become an increasingly important part of modern economies, driving innovation, entrepreneurship, and job creation. According to the World Bank, start-ups account for a significant proportion of new job creation in many countries. Start-ups play a crucial role in employment generation by creating new job opportunities, fostering innovation, and driving economic growth. However, despite their potential, start-ups often face significant challenges in generating employment, including limited access to finance, talent, and markets. Start-ups play a role in employment generation in the following ways:

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Theoretical Framework

The theoretical framework for this paper is based on the concept of entrepreneurship and job creation. According to the entrepreneurship theory, start-ups are



a key driver of economic growth and employment generation. The theory suggests that start-ups create new job opportunities through their innovative and entrepreneurial activities.

METHODOLOGY

This paper uses a qualitative research approach, based on a review of the existing literature on start-ups and employment generation. The literature review includes academic articles, reports, and books on the research topic. Two case studies have been conducted to have the right life lessons on the research topic.

REVIEW OF LITERATURE

The literature on start-ups and employment generation highlights the various ways in which start-ups contribute to job creation. Start-ups create new job opportunities directly through their own hiring, as well as indirectly through the creation of new industries and markets. Additionally, start-ups often provide training and development opportunities for their employees, which can lead to increased productivity and competitiveness.

Start-ups have been recognized as a key driver of economic growth and employment generation. The literature on start-ups and employment generation highlights the various ways in which start-ups contribute to job creation. This literature review aims to synthesize the existing research on the topic, highlighting the key findings, methodologies, and limitations of the studies.

1. **Sharma, Raj, and Gandhi (2016)** explored various challenges faced by startups in India, including marketing and financial issues, and provided suggestions for overcoming these challenges.
2. **Prasath and Supritha (2023)** focused on the unique challenges faced by startups in Bangalore, highlighting the need for streamlined funding mechanisms and supportive regulatory frameworks.
3. **Chawla (2021)** discussed the various issues and challenges faced by Indian startups, including infrastructure, government regulations, and access to capital.
4. **Kumar and Singh (2019)** examined the challenges faced by startups in India, including regulatory complexities and limited access to capital.
5. **Gupta and Jayaram (2022)** in the case study explored the challenges faced by Clients in financing climate action projects and the strategies they employed to overcome these challenges.
6. **Singh, Saxena, and Sareen (2021)** discussed the challenges faced by Cognecto in developing their connected operations cloud platform and the solutions they implemented.
7. **Anand, Balar, and Prakash (2020)** described the journey of Clueso's founders from their initial failed startup to their successful pivot into AI-powered content creation.
8. **Gurunathan (2018)** examined the regulatory challenges faced by startups in India and suggested ways to streamline the regulatory environment.



9. **Raj and Sharma (2017)** explored the marketing challenges faced by startups in India and provided strategies for effective marketing.
10. **Jayaram and Gupta (2021)** discussed the challenges faced by start-ups in attracting and retaining top talent and offered solutions to address these challenges.

In conclusion, the literature on start-ups and employment generation highlights the crucial role played by start-ups in creating new job opportunities. The literature identifies several factors that influence start-up-led employment generation, including access to finance, talent, and markets. However, the literature also identifies several challenges faced by start-ups in generating employment, including limited access to finance, talent, and markets, as well as regulatory barriers. A detailed case study of recent tech start-up – Ambiator Pvt. Ltd., which has made a significant impact on employment generation, has been done to analyze the business model and a comparison between tech start-ups and traditional businesses has been done.

1. AMBIATOR Pvt. Ltd.

Based in Hyderabad, India, Ambiator develops alternative cooling technologies that are more energy-efficient and environmentally friendly than traditional air-conditioning mechanisms. Founded by **Tiger Aster** and **Jeeten Desai**, Ambiator provides innovative solutions to reduce energy consumption and lower carbon footprints, making them a key player in the sustainable technology space. Their mission is to offer affordable thermal comfort, especially for regions with hot and dry climates¹. They developed the AMBIATOR 5 TR, which uses only 1kW of power compared to traditional air conditioners that use 7.5kW.

BUSINESS MODEL OVERVIEW

1. **Product Offering:** Ambiator develops alternative cooling technologies that are more energy-efficient and environmentally friendly than traditional air-conditioning systems. Their products are designed to offer thermal comfort in large spaces where traditional air conditioning is expensive and air cooling is insufficient³.
2. **Target Market:** Ambiator targets both residential and commercial customers, particularly in dry climate zones where cooling needs are high but traditional air conditioning is costly.
3. **Revenue Streams:** Ambiator generates revenue through the sale of their cooling units and related services. They may also offer maintenance and support services for their products.
4. **Value Proposition:** The company's value proposition is centered on providing affordable, eco-friendly cooling solutions that reduce energy consumption and minimize environmental impact. Their products are designed to be solar viable, offering 100% fresh air cooling without the need for compressors, making them more sustainable¹.
5. **Sustainability Focus:** Ambiator emphasizes sustainability in its business model by developing products that are energy-efficient and environmentally friendly. This aligns with the growing demand for green technologies and solutions.



6. **Scalability:** Ambiator's cooling units are scalable, meaning they can be used for both small and large spaces. This flexibility allows them to cater to a wide range of customers, from individual households to large commercial buildings.
7. **Innovation and Technology:** The company invests in research and development to continuously improve its cooling technologies and stay ahead of the competition. This focus on innovation helps them maintain a competitive edge in the market.
8. **Customer Support:** Ambiator provides comprehensive customer support, including installation, maintenance, and troubleshooting services, ensuring that customers have a positive experience with their products.

By focusing on sustainability, innovation, and customer satisfaction, Ambiator aims to become a leader in the eco-friendly cooling technology market. These startups not only provide direct employment but also contribute to the overall economic growth and development of their respective regions. These startups are leveraging cutting-edge technologies to address various challenges and create innovative solutions that have the potential to transform industries and improve lives. Start-ups are often seen as engines of economic growth due to their significant role in job creation.

Both, tech start-ups and traditional businesses play crucial roles in job creation, but they often approach it differently. Here's a comparison to highlight their contributions:

Growth Rate:

Tech Start-ups: Generally, experience rapid growth due to their scalable nature and potential for high returns, leading to faster job creation.

Traditional Businesses: Tend to grow at a fast pace, leading to more gradual job creation.

Types of Jobs Created:

Tech Start-ups: Often create high-skilled jobs, especially in technology, data science, and engineering. They also require roles in product management, UX/UI design, and digital marketing.

Traditional Businesses: Create a broader range of jobs, including those in manufacturing, retail, administration, and services, catering to various skill levels.

Work Environment:

Tech Start-ups: Known for their dynamic and innovative work culture, attracting young talent and fostering creativity. They often offer flexible work arrangements and opportunities for rapid career progression.

Traditional Businesses: Typically, have more structured and established work environments with defined roles and career paths. They often provide stability and long-term employment.

Impact on Local Economy:

Tech Start-ups: Often concentrated in tech hubs or urban areas, contributing significantly to the local economy by attracting investments and creating high-value jobs.

Traditional Businesses: Have a widespread presence, including in rural areas, and contribute to local economies by providing a diverse range of employment opportunities.

Innovation and Disruption:

Tech Start-ups: Drive innovation and disruption in various industries, leading to the creation of new markets and job opportunities. They often focus on solving specific problems with cutting-edge technology.



Traditional Businesses: While they may adopt new technologies and processes, they are generally more focused on maintaining and improving existing products and services.

Employment Practices:

Tech Start-ups: Tend to have smaller teams initially but can scale rapidly, resulting in significant employment growth as they expand.

Traditional Businesses: Usually start with larger teams and have more established hiring practices, providing steady employment growth.

Economic Resilience:

Tech Start-ups: May face higher risks and volatility, leading to fluctuations in employment. However, successful start-ups can rapidly scale and create a large number of jobs.

Traditional Businesses: Generally, more stable and resilient to economic fluctuations, offering consistent employment.

In summary, both, tech start-ups and traditional businesses contribute uniquely to job creation. Tech start-ups bring rapid growth, innovation, and high-skilled jobs, while traditional businesses provide stability, a wide range of employment opportunities, and a significant presence in various regions. Together, they create a balanced and robust employment ecosystem.

Challenges faced by the start-ups

1. **Access to Funding**: Securing sufficient capital is often a significant hurdle. Start-ups need to attract investors, which can be difficult without a proven track record or a well-developed business model.
2. **Regulatory and Compliance Issues**: Navigating the complex web of regulations and compliance requirements can be daunting, especially for startups operating in highly regulated industries.
3. **Market Competition**: The tech industry is highly competitive, with numerous startups vying for market share. Standing out and gaining a foothold can be challenging.
4. **Talent Acquisition and Retention**: Attracting and retaining top talent is crucial for a startup's success. However, startups often struggle to compete with larger, more established companies in terms of salary and benefits.
5. **Infrastructure and Technology**: Building and maintaining the necessary infrastructure and technology can be costly and complex. Startups need to invest in robust systems to support their operations and growth.
6. **Consumer Trust and Market Penetration**: Gaining consumer trust and achieving market penetration can be difficult, especially for new and unknown brands.
7. **Intellectual Property Protection**: Protecting intellectual property is essential for tech startups, but it can be challenging and expensive to secure patents and trademarks.
8. **Scaling Challenges**: As startups grow, they face challenges in scaling their operations efficiently and effectively. This includes managing increased demand, expanding the team, and maintaining quality.
9. **Cyber security Risks**: Protecting sensitive data and ensuring cyber security is a constant concern for tech startups, given the increasing number of cyber threats.
10. **Burnout**: The high-pressure environment of a startup can lead to burnout among founders and employees, impacting productivity and overall well-being.



CONCLUSION

In conclusion, start-ups play a critical role in employment generation, creating new job opportunities directly and indirectly. However, start-ups also face significant challenges in generating employment, including limited access to finance, talent, and markets. Policymakers and stakeholders can support start-up-led employment generation by providing access to finance, talent, and markets, and creating an enabling environment for start-ups to operate and grow.

RECOMMENDATIONS

Based on the findings of this paper, the following recommendations are made:

1. Access to finance: Policymakers and stakeholders can provide access to finance for start-ups, including grants, loans, and venture capital.
2. Access to talent: Policymakers and stakeholders can provide access to talent for start-ups, including training and development programs.
3. Access to markets: Policymakers and stakeholders can provide access to markets for start-ups, including mentorship programs and networking events.
4. Enabling environment: Policymakers and stakeholders can create an enabling environment for start-ups to operate and grow, including tax incentives and regulatory support.

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