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Are Entrepreneurship Subsidies Effective in Reducing Urban Youth Unemployment?

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ABSTRACT

The effectiveness of entrepreneurial subsidies in lowering youth unemployment in metropolitan areas is investigated in this study. Due to growing urbanization, a rise in young people looking for work, and a lack of formal sector job development, urban youth unemployment is still a significant socio-economic issue in many nations. To encourage young people to launch their own firms and become job creators rather than job seekers, governments have implemented a number of entrepreneurship subsidy programs, such as startup grants, low-interest loans, tax incentives, training programs, and mentorship efforts. The study uses secondary data from academic research, government publications, and policy reviews to examine the connection between young employment outcomes and entrepreneurial subsidies. It also looks at the benefits, drawbacks, and variables affecting these programs' efficacy. The study emphasizes that by promoting self-employment and the establishment of small businesses, entrepreneurship subsidies can contribute to a short-term decrease in unemployment. However, a supportive policy framework, market access, mentorship, and commercial acumen are all necessary for their long-term success. The results imply that although entrepreneurship subsidies can support economic growth and job creation, they are unable to address urban young unemployment on their own. Financial mismanagement, inexperience, and market competitiveness are some of the difficulties faced by many subsidized firms. In order to attain sustainable employment results for urban youth, the study suggests that entrepreneurship subsidies should be combined with more comprehensive employment initiatives like skill development, education reform, and improved labor market policies.

Keywords: *Entrepreneurship Subsidies, Youth Unemployment, Urban Labor Markets, Youth Entrepreneurship, Self-Employment, Job Creation, Government Support Programs, Economic Development.*

INTRODUCTION

One of the biggest socioeconomic problems in many nations, especially in areas that are rapidly urbanizing, is youth unemployment. Large numbers of young people who are looking for better educational opportunities, higher living standards, and job opportunities frequently move to urban areas. However, the expansion of job opportunities in urban economies does not always keep up with the rise in the number of job seekers. Because of this, a sizable portion of urban youth continue to be unemployed or underemployed, which leads to social problems and inefficiencies in the economy. Urban youth unemployment is the state in which people who are willing and able to work, usually between the ages of 15 and 29, are unable to find suitable employment in urban labor markets. Every year, a large number of recent graduates enter the workforce, but it is challenging for them to find steady work due to the formal sector's low job creation. High urban youth unemployment has repercussions that go beyond financial issues. Young people who are unemployed for an extended period of time may experience poverty, social exclusion, higher crime rates, psychological stress, and decreased economic productivity. Additionally, young people without jobs are an underutilized human resource that could otherwise support the growth of the country's economy. Governments and legislators are therefore looking more and more for creative ways to deal with the issue. Promoting entrepreneurship through government assistance and subsidies is one such tactic. Governments offer financial or institutional support to entrepreneurs in order to encourage them to launch and grow their own businesses. Startup grants, low-interest loans, tax breaks, training programs, incubation assistance, and mentorship programs are just a few of the ways these subsidies can be provided. These subsidies' primary goal is to lessen the structural and financial obstacles that young people frequently encounter when trying to start their own businesses. Most people agree that entrepreneurship is a major force behind innovation, economic expansion, and job creation. In addition to creating jobs for themselves, young people who start new businesses may also create jobs for others. In most economies, small and medium-sized businesses (SMEs), many of which start out as entrepreneurial endeavors, are crucial to the creation of jobs. As a result, encouraging youth entrepreneurship is frequently regarded as a workable strategy for lowering unemployment and promoting economic growth. Numerous governments have launched initiatives aimed at encouraging young people to start their own businesses in recent years. For instance, programs like youth enterprise funds, innovation hubs, skill development programs, and startup grants are designed to equip young people with the tools and information needed to start profitable businesses. By transforming jobless youth from job seekers into job creators, these programs aim to boost economic growth and ease labor market pressure. But even though entrepreneurship subsidies are becoming more and more popular, there is still disagreement about how well they work to reduce youth unemployment.

Studies show that many subsidized startups struggle to survive in competitive markets, despite some suggesting that such programs can promote business creation and improve employment outcomes. The success rate of youth-led businesses can be lowered by elements like poor business acumen, restricted market access, a lack of mentorship, and unstable economic conditions.

CONTEXT OF THE ISSUE

In many nations, especially those with quickly developing economies, urban youth unemployment has grown to be a significant socioeconomic problem. Young people who want better education, higher living standards, and more job opportunities are drawn to cities. However, the number of young job seekers is growing faster than the expansion of employment opportunities in urban areas. Because of this, a lot of young people have trouble finding suitable and steady jobs. Individuals and society as a whole face social difficulties and economic inefficiencies as a result of this circumstance.

The annual rise in the number of young people entering the workforce is one of the main causes of urban youth unemployment. A significant percentage of young people in many developing nations finish their schooling and look for work at the same time. Unfortunately, the formal employment sector cannot absorb all these individuals, which leads to high youth unemployment rates. Additionally, migration from rural areas to cities increases job competition, making the problem worse. Another key cause of youth unemployment is the gap between education and the needs of the job market. Many schools focus mainly on theory. Meanwhile, employers want practical skills, work experience, and technical knowledge. As a result, many graduates find it hard to meet industry demands and struggle to get jobs. This gap creates a situation where job openings exist, but there are few qualified candidates. Urban youth unemployment also has serious social and economic effects. Long-lasting joblessness can lead to poverty, financial instability, and reliance on family. It can also harm mental health, resulting in stress, frustration, and lower self-esteem. On a larger scale, high youth unemployment can lead to social unrest, increased crime rates, and economic stagnation because of underused human resources. To tackle these issues, governments and policymakers have launched various programs, including vocational training, skill development, and job creation initiatives. However, these efforts alone have not been enough to handle the rising number of unemployed youth in cities. Therefore, there is a growing focus on encouraging entrepreneurship as a viable alternative to traditional employment.

Entrepreneurship subsidies have become a key policy tool to motivate young people to start their own businesses. These subsidies can include startup grants, low-interest loans, tax breaks, training programs, and mentorship. By lowering financial barriers and providing support, governments aim to help unemployed youth become entrepreneurs who can earn a living and create jobs for others. However, whether these subsidies significantly reduce urban youth unemployment remains an important issue for further research.

THE OBJECTIVES OF THE STUDY

The following are the main goals of this study:

- i. to examine the connection between urban youth unemployment and entrepreneurship subsidies.
- ii. to assess government startup subsidy programs' efficacy.
- iii. to assess the advantages and drawbacks of employment policies based on entrepreneurship.
- iv. to determine the elements that affect entrepreneurship subsidies' effectiveness.
- v. to offer policy suggestions for enhancing youth entrepreneurship initiatives.

RESEARCH QUESTIONS

- i. Do subsidies for entrepreneurship lower young unemployment in urban areas?
- ii. What financial results do youth entrepreneurship initiatives produce?
- iii. What obstacles prevent subsidy-based entrepreneurship initiatives from becoming successful?
- iv. Are subsidies for entrepreneurship more successful than other employment initiatives?

REVIEW OF LITERATURE

1. Using Entrepreneurship to Create Jobs

It is often acknowledged that entrepreneurship is a major force behind innovation, economic growth, and the creation of jobs. Through youth entrepreneurship, people can make money and open up job chances for others. According to research, entrepreneurial programs can help young people without jobs become more employable and achieve better financial results.

These programs frequently consist of:

- i. Training in business
- ii. Financial access
- iii. Mentoring
- iv. Incubation of startups

These programs lessen the dependence of young people on traditional jobs and help them acquire entrepreneurial abilities.

2. Startup Subsidies' Effect

One type of active labor market policy that encourages jobless people to launch firms is startup subsidies.

Research demonstrates that startup subsidies can enhance participants' long-term employment prospects and assist them in transitioning out of unemployment.

Advantages consist of:

- i. A rise in human capital
- ii. Increased professional connections
- iii. Better prospects for self-employment
- iv. Not all supported companies, nevertheless, endure over the long run.

3. Data from Youth Employment Initiatives

Interventions like entrepreneurship encouragement and training had favorable but moderate benefits on employment outcomes, according to a major meta-analysis of 113 adolescent employment initiatives globally.

Important conclusions:

- i. Only roughly one-third of programs demonstrated meaningful increases in employment.
- ii. The total impact on employment was negligible.
- iii. Success is heavily influenced by program design and local circumstances.

4. Entrepreneurship in Developing Nations

Entrepreneurship is frequently encouraged in developing nations as a means of lowering unemployment and poverty. Research indicates that entrepreneurship initiatives can lower urban unemployment when they are backed by:

- i. Availability of capital
- ii. Programs for training
- iii. Support for government policy
- iv. Services for business growth
- v. Many young-owned enterprises fail in the absence of these resources.

THEORETICAL FRAMEWORK

The Human Capital Theory serves as the foundation for this study. According to the Human Capital Theory, knowledge, education, and skills boost production. Financial assistance and entrepreneurship education improve the formation of businesses. Successful self-employment is more likely when one has more capital and abilities. Therefore, the goal of entrepreneurship subsidies is to boost young people's economic engagement and human capital.

Human Capital Theory, which describes how expenditures in education, training, and skill development increase an individual's productivity and economic prospects, serves as the main theoretical foundation for this study. This idea holds that people who gain financial resources, entrepreneurial abilities, and knowledge are more likely to engage in economic activities successfully. Therefore, since entrepreneurship subsidies give young people resources, training, and financial support that improve their capacity to launch and run firms, they can be seen as investments in human capital.

Entrepreneurship Theory, which emphasizes the role of entrepreneurs in economic development and employment creation, is another significant theoretical viewpoint pertinent to this investigation. Through innovation, risk-taking, and the development of new markets, entrepreneurs propel economic progress, according to economists like Joseph Schumpeter. The goal of government subsidies and incentives for entrepreneurship is to encourage young people to start their own businesses. Increased entrepreneurial activity may result in the creation of new businesses, which could create job possibilities for community members as well as the entrepreneurs themselves.

Additionally, the connection between entrepreneurship and unemployment is explained by labor market theory. This viewpoint holds that people may use self-employment or entrepreneurship as an alternative source of income when there are few work options in the conventional labor market.

Therefore, entrepreneurship subsidies can serve as a tool to encourage young people without jobs to start their own businesses rather than be unemployed. Such subsidies may help young people go from unemployment to self-employment by eliminating financial barriers and offering institutional assistance, which could help cut urban youth unemployment.

ENTREPRENEURSHIP SUBSIDY TYPES

Governments offer a variety of assistance:

- i. Monetary Assistance
 - grants of money directly for startup funding.
- ii. For instance: India Startup Seed Fund
 - Funds for Youth Enterprises
- iii. Loans with subsidies
 - loans with low interest rates for young business owners.
- iv. Tax Benefits
 - Early-stage startups are exempt from taxes.
- v. Programs for Business Training
 - Education and skill development in entrepreneurship.
- vi. Mentoring and Incubation
 - assistance via startup incubators and innovation clusters.

EXAMPLES OF CASES

Example 1: Subsidies for Self-Employment

Young people can launch small enterprises with the help of some government programs that offer loans and incentives. Through subsidized loans to young entrepreneurs, one program produced close to 65,000 jobs.

Example 2: Training Programs for Entrepreneurs

It has been demonstrated that entrepreneurship education programs improve young people's employability and entrepreneurial activities.

Numerous government-led startup promotion programs that offer young entrepreneurs training and financial help are another illustration of youth entrepreneurship support. These programs frequently feature mentorship opportunities, skill development courses, and startup incubation centers that help young people start and run enterprises. These programs have assisted young people in starting small businesses in industries like technology, retail, food services, and digital marketing in numerous urban regions. These initiatives show how focused government assistance can inspire young people to explore entrepreneurship and help create jobs in urban economies, even though the degree of success varies.

BENEFITS OF SUBSIDIES FOR ENTREPRENEURS

- i. Employment Creation
 - More job opportunities are created by new firms.
- ii. Economic Development
 - Innovation and productivity are boosted by entrepreneurship.
- iii. Decreased Reliance

Instead of depending on government jobs, young people become self-sufficient.

iv. Development of Skills

Participants acquire technical, financial, and managerial abilities.

v. Reducing Poverty

Living standards can be raised and income can be increased through entrepreneurship.

The fact that entrepreneurship subsidies foster young people's creativity and inventiveness is another significant benefit. Young people are more open to trying out new services, technology, and company concepts when institutional and financial barriers are lowered. This may result in the creation of novel goods and services that satisfy the demands of developing markets. Additionally, youth-led companies frequently contribute to technological advancement and economic diversification by bringing new ideas and contemporary methods to established industries. Entrepreneurship subsidies can significantly boost the economy's overall development and competitiveness by creating an atmosphere that encourages innovation.

ENTREPRENEURSHIP SUBSIDIES' RESTRICTIONS

Despite their advantages, there are a number of difficulties:

i. High Rates of Failure

- Within the first several years, a lot of startups fail.

ii. Minimal Effect

- Employment initiatives typically have a negligible impact on young employment, according to research.

iii. Inadequate Business Acumen

- Some participants don't have the abilities needed to manage businesses.

iv. Mismanagement of finances

- The use of subsidy money could be inefficient.

v. Saturation of the Market

- Profitability is lowered when there are too many similar firms.

The potential for reliance on government assistance is another drawback of entrepreneurial subsidies. Sometimes people launch firms more for the purpose of obtaining funding than for the purpose of creating long-lasting businesses. This may result in companies operating just temporarily till the subsidy period expires and inefficient use of public funding. Additionally, governments may find it difficult to monitor and assess the appropriate use of subsidies, particularly when programs have a large number of recipients. Subsidy programs may fail to accomplish their goals of encouraging long-term entrepreneurship and job creation in the absence of efficient monitoring systems and accountability procedures.

ELEMENTS THAT IMPACT EFFICIENCY

Subsidies for entrepreneurship work better when:

i. Financial help is accompanied with training

ii. Mentors are available to young people.

iii. The markets are encouraging

iv. Government regulations promote creativity.

v. Programs aim to attract motivated individuals.

vi. Instead, rather than relying solely on subsidies, successful programs typically incorporate a variety of services.

The existence of a favorable business environment is another significant factor influencing the efficacy of entrepreneurship subsidies. Young business owners frequently deal with issues like difficult legal requirements, restricted market access, poor infrastructure, and fierce competition. Even well-funded startups may find it difficult to survive in an unfavorable business environment. Therefore, the impact of entrepreneurship subsidies can be greatly increased by government policies that streamline firm registration procedures, increase access to physical and digital infrastructure, and encourage fair market competition. A supportive ecosystem enables young entrepreneurs to operate efficiently, expand their businesses, and contribute more effectively to employment generation.

METHODS OF RESEARCH

Design of Research

i. analytical

ii. descriptive research.

Information Sources

Secondary information

i. Government publications

ii. Scholarly publications

iii. Evaluations of policies

iv. Entrepreneurship program case studies.

Analysis of Data

i. Comparative evaluation of several programs

ii. Assessment of employment results

iii. Evaluation of policy impact

The study uses a methodical approach to gathering and evaluating data from reliable secondary sources, including government papers, scholarly journals, policy documents, and publications from international labor organizations, in order to guarantee the validity and trustworthiness of the research conclusions. To comprehend current patterns and policy results, pertinent literature on young unemployment, entrepreneurship development, and subsidy-based employment initiatives is evaluated. To find trends, advantages, and disadvantages of entrepreneurship subsidy schemes in urban settings, the gathered data is then examined using a qualitative and comparative approach. This analytical methodology enables the study to make well-informed conclusions and recommendations and contributes to a thorough knowledge of how entrepreneurship subsidies affect urban youth employment.

RESULTS

Important conclusions from the literature consist of:

- i. In the short run, entrepreneurship subsidies can lower unemployment.
- ii. Programs that integrate training and funding are more successful.
- iii. Many young companies continue to be modest and make little money.
- iv. Youth unemployment cannot be resolved by entrepreneurship subsidies alone.
- v. Additionally, structural economic improvements are required.

The study's findings also show that when entrepreneurship subsidies are paired with helpful services like mentorship, entrepreneurship training, and financial institution access, their effects are amplified. Because many young entrepreneurs lack experience in business management, marketing, and financial planning, programs that merely offer financial help without sufficient training sometimes have limited success. Initiatives that incorporate capacity-building elements, on the other hand, typically enhance the growth and sustainability of youth-led businesses. This implies that rather than relying solely on financial incentives, the efficacy of entrepreneurship subsidies is significantly influenced by the entire network of assistance offered to young entrepreneurs.

SUGGESTIONS FOR POLICY

Governments should do the following to increase the efficacy of entrepreneurship subsidies:

- i. Combine training in entrepreneurship with subsidies.
- ii. Assist with incubation and mentoring.
- iii. Expand market and financing availability.
- iv. Promote startups that are focused on innovation.
- v. Regularly keep an eye on and assess subsidies schemes.

The creation of robust entrepreneurial communities that assist young entrepreneurs after the initial subsidy phase is another crucial policy advice. Governments should partner with academic institutions, financial institutions, private businesses, and startup incubators to establish networks that offer youth-led enterprises ongoing direction, market access, and technology support. Establishing company incubation programs, innovation centers, and entrepreneurship hubs in metropolitan locations can help young entrepreneurs learn from seasoned experts, exchange resources, and receive mentorship. By guaranteeing that entrepreneurship subsidies result in long-term employment prospects and viable firms, such ecosystems can greatly increase the survival and growth rate of startups.

CONCLUSION

Subsidies for entrepreneurship can help lower youth unemployment in urban areas, but their efficacy varies depending on the situation. Research indicates that startup subsidies improve labor market outcomes by assisting some jobless people in transitioning to self-employment. However, when used separately, their overall impact is constrained. Entrepreneurship subsidies should be combined with mentoring, financial assistance, skill development, and favorable business settings for optimal efficacy. Policymakers must therefore adopt comprehensive strategies rather than relying solely on subsidies. All things considered, entrepreneurship subsidies are crucial in tackling the problem of urban youth unemployment by motivating young people to look into prospects for self-employment. These programs help lower the obstacles that young people frequently encounter while launching a business by offering financial support, training, and institutional support. By encouraging innovation, the expansion of small businesses, and the creation of jobs in metropolitan economies, entrepreneurship efforts also support economic development. When executed effectively, these initiatives can enable young people to become employers rather than job seekers. However, the planning and execution of these initiatives have a significant impact on how successful entrepreneurship subsidies are. The success of youth-led firms may not be ensured by financial support alone. Entrepreneurship education, mentorship, market access, and ongoing monitoring are all necessary for entrepreneurship programs to have long-lasting results. Enhancing these support networks can increase new enterprises' chances of surviving and increase their ability to create jobs. Policymakers should also understand that entrepreneurial subsidies are just one component of a larger plan needed to solve teenage unemployment in metropolitan areas. In order to meet the demands of the labor market, governments must also make investments in education, career training, and skill development. Countries may develop a more dynamic and inclusive labor market that offers urban youth significant prospects by integrating entrepreneurial support with more comprehensive economic and employment policy.

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