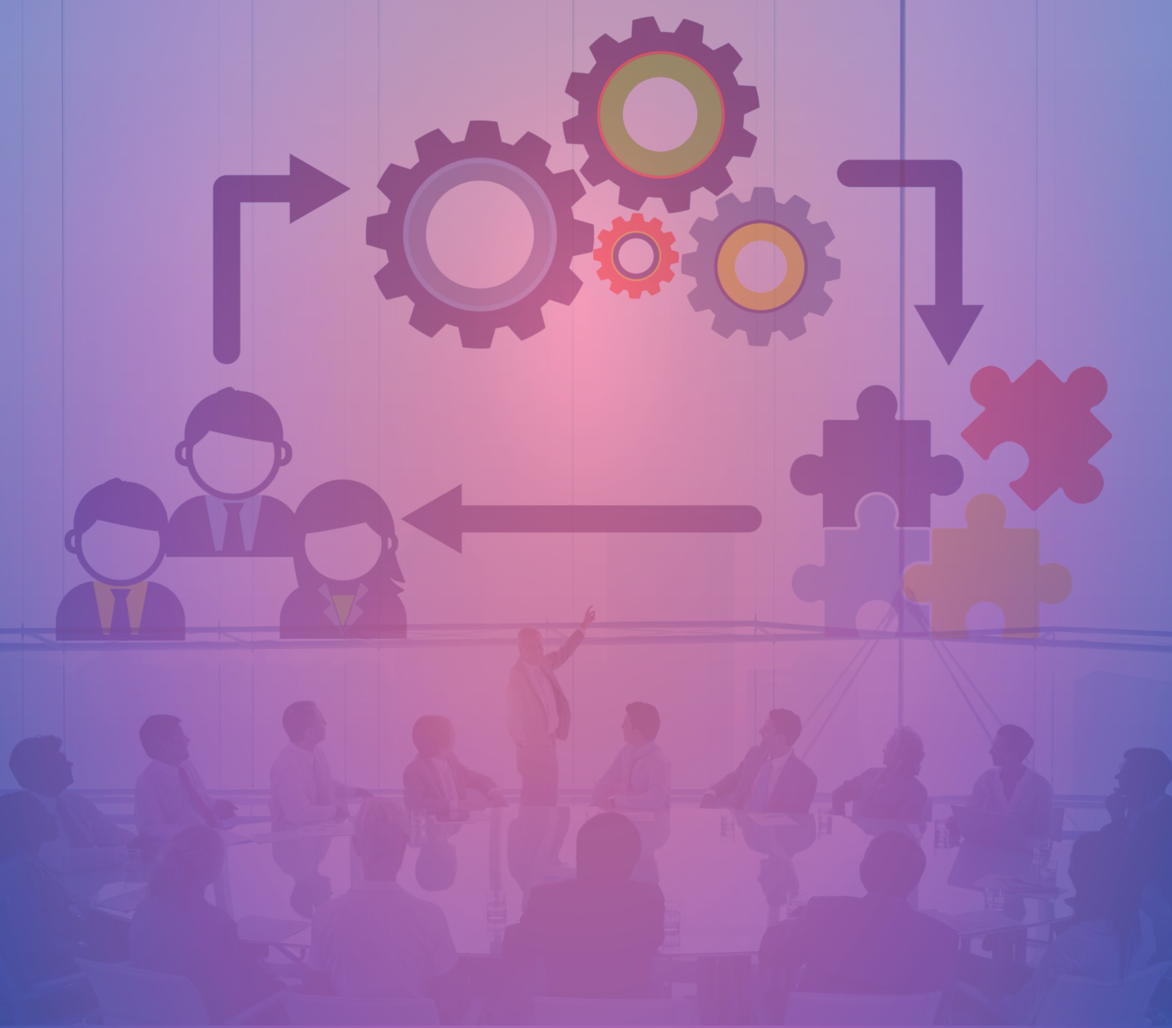

5 Entrepreneurial Activity in India

Chapter - 5

Entrepreneurial Activity in India

5.1 Distribution of TEA and EBO in India

TEA refers to the percentage of the population involved in new or existing businesses within the country. In contrast, EBO represents the percentage of the population that has been operating the same business for more than 42 months.

Figure 5.1 below presents a comparative analysis of the percentage of adults engaged in TEA and EBOs across the 12 low-income level economies. According to the above data, the TEA rates are highest for Ecuador, Guatemala, Bosnia and Herzegovina, and Jordan, with figures of 33.4%, 23.7%, 22.7% and 21.1%, respectively, indicating a conducive entrepreneurial environment and factors that foster nascent entrepreneurship. Likewise, Guatemala, Ecuador and Brazil show the highest EBO rates at 14.2%, 13.3% and 13.2% respectively indicating a sustained business ownership. India has a moderate TEA and EBO rates at 12.2% and 6.0% respectively reflecting a balanced profile of new startups and long-run established businesses. As observed in the graph, Morocco has the lowest EBO rate at 2.7% implying that structural and environmental barriers are restricting the business growth and sustainability. As evident from the findings, some economies nurture both early and sustained entrepreneurship, while many struggle with the contextual barriers that impact their long-term development and continuity.

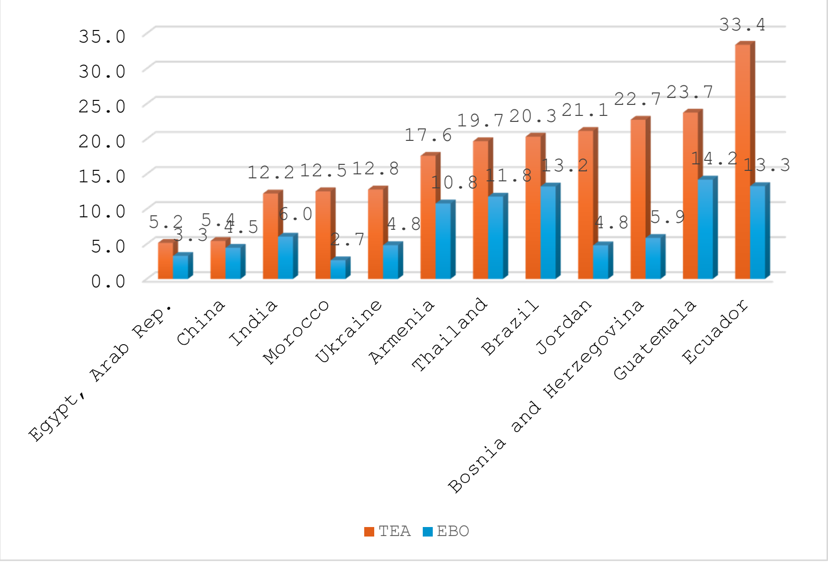

Figure 5.1 Distribution of TEA and EBO in India as a % of Adults

Source: *GEM India Survey 2024–25*

S. Shukla et al., *Global Entrepreneurship Monitor*,
https://doi.org/10.2991/978-94-6239-735-4_5

5.2 Ratio of TEA and EBO (both as % of adults)

Based on Figure 5.2 provided below, a broad spectrum of entrepreneurial dynamics has been observed among low-income level economies regarding the ratio of TEA to EBO. Morocco, Jordan and Bosnia and Herzegovina are found to have the highest TEA-to-EBO ratios with figures of 4.71, 4.40 and 3.88 respectively. Despite being indicative of the dynamic entrepreneurial culture, it also highlights the sustainability issues and a lower survival rate among the new ventures. Likewise, India has a moderate TEA-to-EBO ratio of 2.02, indicating an entrepreneurial ecosystem with a balanced profile of new ventures converting into established businesses. China, Brazil and Egypt depict relatively low TEA-to-EBO ratios of 1.22, 1.54 and 1.57 respectively signaling a smoother shift between new and established businesses. These figures may indicate the struggle to initiate the new ventures and maintain a healthy stock of established businesses.

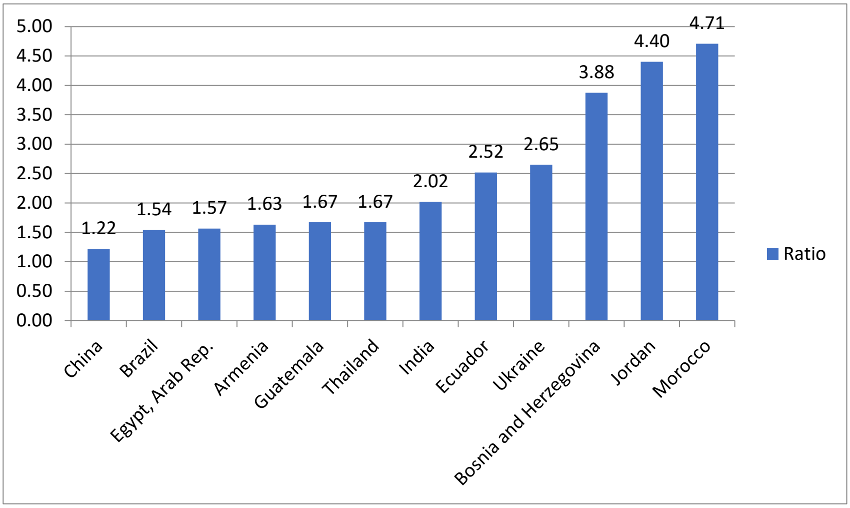

Figure 5.2 Ratio of TEA and EBO as % of Adults

Source: *GEM India Survey 2024–25*

5.3 Association of TEA and EBO with GDP per capita growth rate

The comparative analysis presented below in Figure 5.3 shows the TEA and EBO rates against the GDP growth rates across the 12 low-income level economies highlighting the interplay between entrepreneurial activity and the national income.

In the graph shown below, nations with lower GDP per capita such as Ecuador, Guatemala and Jordan have higher TEA rates of 33.37%, 23.73% and 21.13%. Nations with higher GDP per capita such as China and Egypt have lower TEA rates of 5.43% and 5.15% respectively. India scores moderately in this dimension, as evident in the graph with a TEA rate of 12.2%. This indicates a hybrid effect of both pull and push factors in terms of economic constraints and profit-making objectives. Likewise, countries like Guatemala and Ecuador which have higher GDP per capita growth rates are found to have higher EBO rates at 14.19% and 13.26% respectively indicating that entrepreneurial activities are major drivers of job growth and expansion. Similarly, China and Egypt have lower EBO rates at 4.45% and 3.29% respectively despite after having higher GDP per capita growth rates. The EBO rate of India is found to be 6.04% which indicates a struggle associated with sustaining business ventures and achieving scalability.

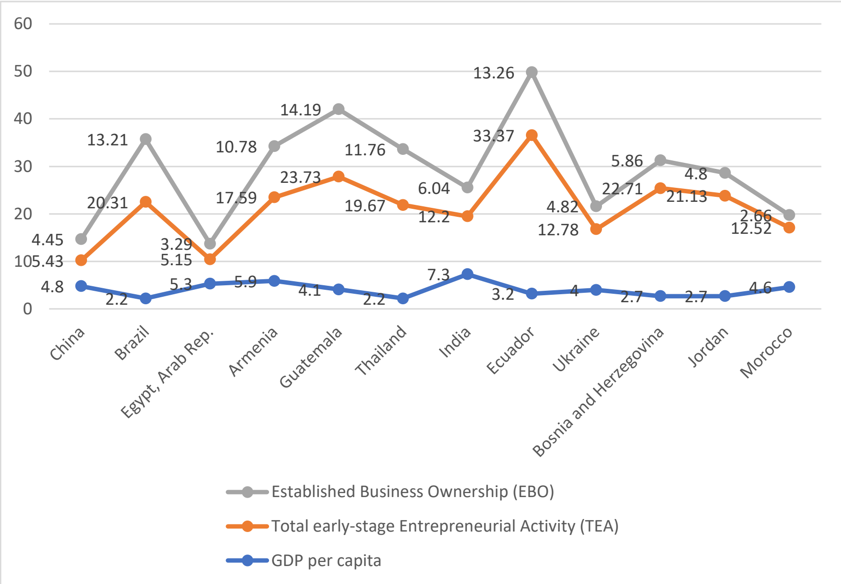

Figure 5.3 Association of TEA and EBO with GDP per capita growth rate

Source: *GEM India Survey 2024–25*

5.4 Sectoral distribution of Business and Consumer services: A comparison of low-income level economies

The sectoral composition of new businesses in terms of Business-Oriented Services and Consumer-Oriented Services represents the entrepreneurial characteristics of the 12 low-income level economies as shown in figure 5.4 below. Countries like Ecuador, Thailand, Morocco, China and Guatemala indicate a preference for consumer-oriented services with figures of 81.3%, 78.1%, 75.9%, 71.1% and 70.9% respectively compared to an inclination towards business-oriented services at 3.7%, 4.6%, 6.9%, 10.4% and 7.4% respectively. India with a figure of 55.6% indicates a greater inclination of businesses towards consumer services compared to a figure of 3.7% in business-oriented services. Such preferences emphasize the nature of startups focused on minimizing capital requirements, better outreach along with building long term customer trust. Countries like Bosnia and Herzegovina and Brazil with figures of 46.3% and 51.7% for consumer-oriented services compared to 22.1% and 17.4% for business-oriented services highlight a hybrid entrepreneurial landscape that lacks financial and institutional barriers.

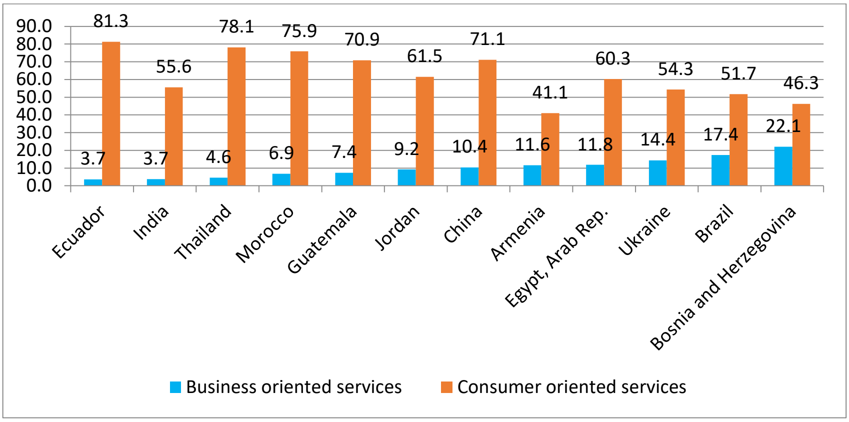

Figure 5.4 Sectoral Distribution of Business and Consumer Services: A Comparison of low-income level economies

Source: *GEM India Survey 2024–25*

5.5 Complexity in Starting a Business: A Comparison of low-income level economies

Figure 5.5 provides a complementary lens on the percentage of adults perceiving a business as more complex than in a previous year and actually engaging in it. As evident in the data, around 78.3% of respondents in China are found to have increasing difficulty in starting the businesses, which is further followed by Morocco and Ecuador with figures at 64.1% and 62.8% respectively. Several reasons could account for this rising perception of difficulty such as economic barriers, contextual barriers and rising competition. Countries like Ukraine, Egypt, Jordon, Thailand and Guatemala have moderate TEA rates with figures at 50.9%, 51.7%, 58% and 58.7% respectively. With a TEA rate of 35.3%, India scores the lowest which reflects a more risk-taking behaviour and a proactive approach of the respondents towards starting new ventures. It also indicates a high entrepreneurial momentum among the Indian respondents.

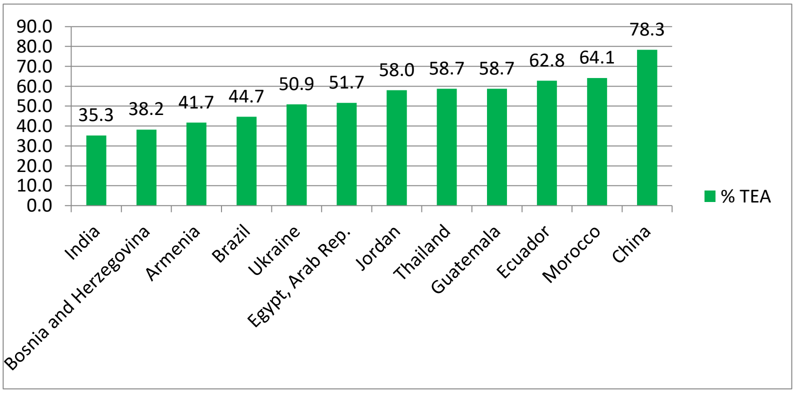

Figure 5.5 Complexity in starting a business: A Comparison of Low-income level economies

Source: *GEM India Survey 2024–25*

5.6 Gender Disparities in Entrepreneurial Activity

With context to the gender disparities in entrepreneurial activity, males show a more significant participation in initiating new ventures with TEA rate of 14% compared to females having a TEA rate of 10.3%. This disparity indicates more cultural resistant factors hampering females to initiate new business ventures in the country. With context to the gender disparities in entrepreneurial activity, males show a more significant participation in initiating new ventures with TEA rate at 14% compared to females having a TEA rate of 10.3%. This disparity indicates that there are more cultural resistance factors hindering females from initiating new business ventures in the country.

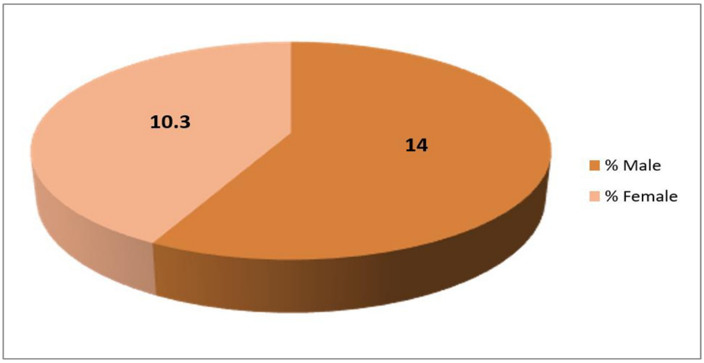

Figure 5.6 Gender Disparities in Entrepreneurial Activity: Percentage of TEA

Source: *GEM India Survey 2024–25*

5.7 Regional Variation in Entrepreneurial Activity

The data presented in Figure 5.7 relate to regional disparities in total early-stage entrepreneurial activities across four Indian regions distributed geographically – North, South, East and West. Among the four Indian regions, the southern region has the highest TEA rate of 21.2% followed by the east, west and north at 11.1%, 8.3% and 8.3% respectively. The highest TEA rate in the South region signifies greater entrepreneurial momentum and engagement among the people. In the East region, the moderate TEA rate reflects a mix of both contextual and cultural forces despite the persistence of opportunities. The lowest TEA rates in the West and North region indicate the limited access to finance for startups and structural constraints.

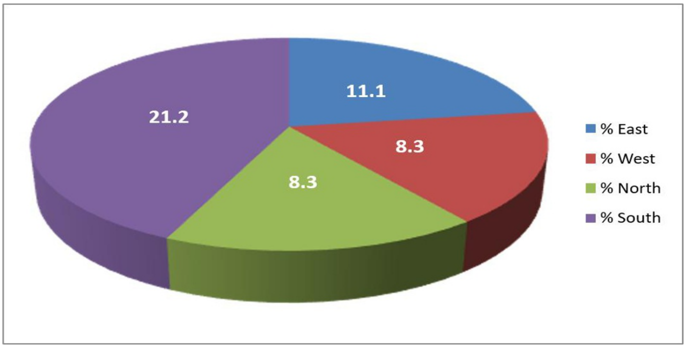

Figure 5.7 **Regional Variation in Entrepreneurial Activity: Percentage of TEA**

Source: *GEM India Survey 2024–25*

5.8 Rural–Urban Distribution of Entrepreneurial Activity

Figure 5.8 presents a rural-urban distribution of entrepreneurial activity, showing higher TEA rates for rural regions compared to urban regions. The TEA rate for rural regions is 12.4% while for the urban regions, it is 11.9%. The higher scores for rural regions compared to urban regions may be due to limited employment opportunities, the rise of agri-based ventures and limited infrastructure. This may also be attributed to reasons such as the inclination of urban regions towards more tech-based and innovative sectors.

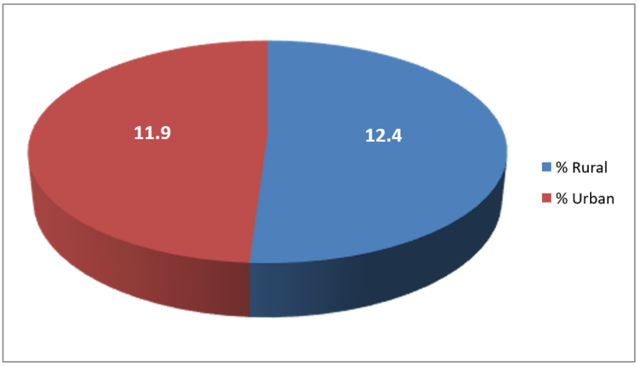

Figure 5.8 **Rural-Urban distribution of Entrepreneurial Activity: Percentage of TEA**

Source: *GEM India Survey 2024–25*

Policy Focus

India faces a lacuna between entrepreneurial intent and engagement highlighting the role of certain structural and contextual factors in nurturing and shaping the entrepreneurial climate in the country. More focus should be given to encouraging early-stage entrepreneurs to start businesses in higher-value sectors through more robust financial support mechanisms, education, training and mentoring processes. Other than this, major challenges lie in creating and promoting women-led business ventures in the country and recognizing factors that stimulate financial and innovative measures in the rural areas, thereby fostering their scalability and longevity. Likewise, the regional distribution of entrepreneurial activity across the four regions of India emphasizes the need for context- specific policies tailored to each region. The policies should focus on prioritizing sustainability, removing financial barriers and other market regulatory hurdles fostering an entrepreneurial ecosystem and infrastructure development in the different regions of the country. The timely recognition and development of action plans are essential for promoting and upskilling inclusive entrepreneurship regionally, thereby reducing geographical disparities.

References:

Global Entrepreneurship Monitor. (2025). GEM India Survey 2024–25. GEM India.