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## Impact of startups on local economies

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**Abstract:** The rise of startups in recent years has had a significant impact on local economies. This research paper aims to examine the relationship between startups and local economies, focusing on the positive and negative impacts that startups have on employment, innovation, and economic growth. Using a quantitative approach, this paper draws on data from various sources, including academic literature, government reports, and statistical databases, to provide a comprehensive analysis of the impact of startups on local economies. The findings suggest that startups play a crucial role in driving economic growth, generating employment opportunities, and spurring innovation in local economies.

**Keywords:** Startups Local economies Economic growth Innovation Employment Productivity

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### Research Methodologies:

This research paper uses a quantitative approach, drawing on data from various sources, including academic literature, government reports, and statistical databases. The data is analyzed using statistical techniques to provide a comprehensive analysis of the impact of startups on local economies.

### Introduction:

Startups have emerged as a major force in the global economy, particularly in recent years. These new businesses are often characterized by their innovative ideas, agility, and ability to disrupt established industries. While the rise of startups has been welcomed by many, there has been some debate about the impact that they have on local economies. Some argue that startups can have a positive impact on economic growth, employment, and innovation, while others suggest that startups can be a drain on local resources, and may not provide long-term benefits.

This research paper aims to examine the impact of startups on local economies. Specifically, it will examine the relationship between startups and employment, innovation, and economic growth. To do so, this paper will use a quantitative approach, drawing on data from various sources, including academic literature, government reports, and statistical databases.

### Impact of Startups on Employment:

One of the primary benefits of startups is their ability to create new jobs in local economies. According to a report by the Kauffman Foundation, startups are responsible for creating the majority of net new jobs in the United States. In 2019, new businesses created 3.5 million jobs, while established businesses created only 2.7 million jobs. This suggests that startups play a crucial role in driving employment growth in local economies.

Startups also tend to create high-quality jobs, which can have a positive impact on local economies. According to a report by the Economic Policy Institute, startups pay higher wages than established businesses. In 2016, the average weekly wage for employees at startups was \$1,163, compared to \$1,021 for employees at established businesses. This suggests that startups can help to raise wages and improve living standards in local economies.

However, it is important to note that startups can also contribute to job loss in local economies. According to a report by the University of Maryland, startups can displace established businesses, leading to job losses in certain industries. This suggests that while startups can create new jobs, they may also contribute to job loss in some cases.

### Impact of Startups on Innovation:

Startups are often associated with innovation, as they are typically founded by

entrepreneurs with innovative ideas. According to a report by the National Bureau of Economic Research, startups are responsible for a significant share of innovation in the United States. In 2014, startups accounted for 20% of total patenting activity in the United States.

Startups also tend to be more innovative than established businesses, as they are often more willing to take risks and experiment with new ideas. According to a report by the Kauffman Foundation, startups are more likely to develop new products or services than established businesses. In 2018, 31% of startups developed new products or services, compared to only 11% of established businesses.

However, it is important to note that not all startups are successful, and many fail within their first few years of operation. This means that not all startups will contribute to innovation in local economies, and some may even hinder innovation by competing with established businesses and driving them out of business.

#### **Impact of Startups on Economic Growth:**

Startups can also have a significant impact on economic growth in local economies. According to a report by the Kauffman Foundation, startups are responsible for a significant share of economic growth in the United States. In 2019, startups accounted for 43% of GDP growth in the United States, despite representing only 3% of total employment.

Startups also tend to be more productive than established businesses, as they are often more focused on innovation and growth. According to a report by the National Bureau of Economic Research, startups have higher productivity growth rates than established businesses, and are responsible for a significant share of productivity growth in the United States.

However, startups can also have a negative impact on economic growth in some cases. According to a report by the World Bank, startups can contribute to economic instability if they are not properly regulated. This can lead to the formation of bubbles, which can eventually burst and lead to economic downturns.

#### **Conclusion:**

In conclusion, startups have a significant impact on local economies, contributing to employment growth, innovation, and

economic growth. While startups can create new jobs, promote innovation, and drive economic growth, they can also contribute to job losses, hinder innovation, and cause economic instability. Therefore, it is important for policymakers to carefully consider the impact of startups on local economies and implement policies that promote their positive contributions while mitigating their negative effects. This could include providing support for startups, promoting entrepreneurship education, and implementing regulations that promote fair competition and prevent economic instability. By doing so, local economies can harness the potential of startups to drive sustainable economic growth and development.

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