



Startup India–Redefining India’s economic growth

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Abstract

Startup India was setup to provide handholding support to startup ventures and streamline their incentive disbursements. The idea is not only to provide an enabling environment for startups to flourish but also to lure investments. The initiative commenced with the operationalisation of the Startup India Hub, the online portal providing multiple offerings under Startup India and connecting aspirants to other vital ecosystem builders. Also, to include scalable business models with high potential of employment generation or wealth creation. Each State and UT has at least one startup. The recognised startups are spread across over 640 districts and have reported a creation of more than seven lakh jobs with an average of 11 jobs being created by them. Entrepreneurship in India has grown significantly, and startups are beginning to dramatically impact the economy. The recognised startups are spread across 56 diversified sectors such as IT services, finance technology, technology hardware, enterprise software, artificial intelligence, and nanotechnology. Startups are upending established business models and creating new markets. Across industries, startup companies – such as Paytm and FreeCharge in financial services, Ecolibrium Energy and Glowship in energy and utilities, Zoctr and HealthKart in healthcare, and Jugnoo and Ola in travel – big challenges to established and traditional businesses. India has become the third-largest startup ecosystem in the world after the US and China.

Keywords: startup India, ecosystem, business, gross domestic product (GDP), economic growth

Introduction

On 15 August 2015, Hon’ble Prime Minister Shri Narendra Modi’s a new vision for the Indian economy was announced. A vision that aimed to tap the entrepreneurial potential of the people of India and enabled the talent of India to dream of ideas, put them in action, and convert them into game changing ventures. He also announced to help startups with bank funding and encourage entrepreneurship among the young Indians.

After five months, on 16 January 2016, the Government launched the ‘Startup India’ program to build a strong ecosystem for nurturing innovation and startups in the country and generate large scale employment opportunities. Startup India was setup to provide handholding support to startup ventures and streamline their incentive disbursements under the Department for Promotion of Industry and Internal Trade (DPIIT). The Department for Promotion of Industry and Internal Trade (DPIIT) acts as the nodal Department for the Startup initiative.

Startups were entitled to a number of benefits such as tax incentives including Governments’ assistance in funding, prioritisation of startups in public procurement, capital gains tax exemption, etc. Some other key benefits that the Action Plan included were entitlement to an 80% rebate in patent registration fees as well as a 50% rebate in trademark filing.

According to the report of Ministry of Commerce & Industry dated June 3, 2021, 50,000 startups across have been recognized as startups by DPIIT, of which 19,896 have been recognized since April 1, 2020.

What is a startup?

A startup is a young company or a new business that is beginning to develop and grow in the first stages of operation, and is usually financed by an individual or small group of individuals. A startup is a dynamic company built on innovation wherein the founders attempt to capitalize on developing a product or service for which they believe there is a demand. Furthermore, startup is a new company which could be an entrepreneurial venture or a partnership business organisation designed to search for a repeatable or scalable business or for an unknown business model in order to penetrate in existing markets or create new ones.

A startup business is defined as:

1. An entrepreneurial venture or a partnership business organisation.
2. New and existence for not more than five years i.e., Up to 5 years from the date of its incorporation/ registration.
3. Employing 50 people or less.
4. Involves in Innovation, development, production or distribution of new products or services.

5. Revenue/ turnover for any of the financial years has not exceeded Rupees 25 cr.

Startup definition expanded

An entity shall be considered as a Startup:

1. Up-to a period of ten years from the date of incorporation or registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
2. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs 100 crore.
3. Entity is working towards innovation, development or improvement of products or services, or if it is a scalable business with a high potential of employment generation or wealth creation.

Stages of the startup lifecycle

1. **Pre startup:** Identify a potential product or service idea for a target market.
2. **Startup:** The entrepreneur begins to promote his business and looks for ways to increase customer base and pushing the growth of the business aggressively and increasing its capacity.
3. **Growth Maintenance:** Maximising benefits that the business has achieved or acquire huge resources that the brand will need to continue growing.

Objectives and action plan of Startup India

The main purpose of Startup India was to simplification, funding support, incentives, industry-academia partnerships and incubation. In order to club all objectives under one umbrella while addressing all the aspects of the startup ecosystem, the following are key areas and action plan: -

1. To reduce the regulatory burden on startups so allowing them to focus on their core business and keep compliance cost low.
2. To create a single platform for engagement of various startup ecosystem stakeholders and enable knowledge exchange while promoting their businesses.
3. To assist as single platform for startups for interacting with Government and regulatory institutions for all business needs and information exchange.
4. To promote awareness and adoption of IPRs by startups and facilitate them in protecting and commercialising the IPRs by providing access to high quality intellectual property services & resources, including rebate in fees.
5. To provide funding support for development and growth of innovation driven enterprises across all sections of society.
6. To promote investments into startups by mobilising the capital gains arising from sale of capital assets and address working capital requirements.
7. To encourage seed-capital investment in startups.
8. To serve as a platform for promotion of world-class Innovation Hubs, startup businesses and other self-employment activities, particularly in technology driven areas.
9. To support of Government through sponsored and funded incubators.
10. To create a framework for setting-up of incubators across the country through public private partnership.
11. To boost effective innovation through augmentation of incubation and R&D efforts.
12. To encourage innovation through incubation and joint R&D efforts between academia and industry.
13. To promote a culture of innovation in the field of science and technology amongst students.
14. To encourage in creation of successful world class incubators in India.

Impact of startups in the Indian economy

1. **The new technology improves operations and reduced the production cost:** - Startups will search for new technology which simplifies the workload. Technological advances will improve operations and lower the cost of doing business. For example; many advancements in the computer industry, coupled with advancements in telecommunications and other related areas, which further increased job opportunities and strengthen economic growth.
2. **Creative ideas create more works, demand and solutions:** Everyone thinks differently and creative so that the solutions found out by different startups for the same problem are also different ways. A start-up that creates a solution easily will have more demand.
3. **Employment opportunities:** Employment opportunities have been the significant role of the Startup in India. Jobs which are generated are mostly from startups and not big enterprises. Over the few years, startups have been providing immense opportunity to millions of unemployed people. Unemployment is the most significant global issue. Since the startups are free from economic downturns and free from encumbrance they can manage more staffs.

4. **Platform to talented professionals and entrepreneurs:** Startups give a platform to talented professionals, showcase and encouraged their talent.
5. **Healthy competition & More demand in the market:** Healthy competition is always important for better product or service and improvement of the quality, then the demand increases which increases the revenue of startups which positively reflect the Indian economy.
6. **Startups Increase export & decrease importing:** More startups then we can produce more products/services. More production than we can start to export to another country and decrease importing which increases the flow of foreign currency to Indian markets.
7. **Investments by multinational companies:** Many multinational companies are closely observing the progress of start-up and may invest money that creates wealth for a start-up. If startups support their businesses they always prefer to start their company in India which increases direct and indirect employments opportunity and which increase the flow of money and revenue of the government which boosts up the Indian economy also. Leaders of startups also identify substantial benefits from deeper collaboration with established companies. While some established companies might be weak in innovation and agility, they have the advantage of experience.

The Growth of Startup in India

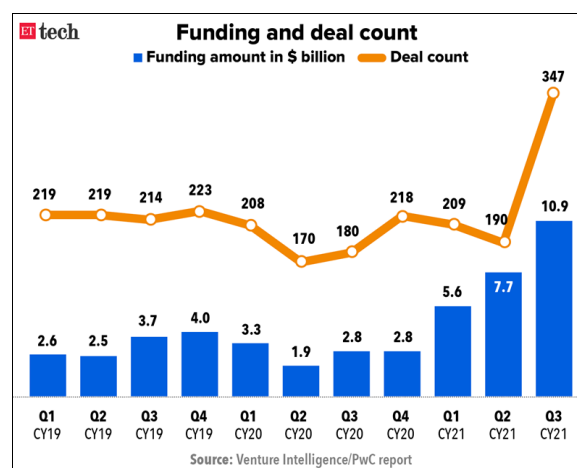
According to the Economic Survey 2021-22, India has over 61,400 startups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT), with at least 14,000 recognised during fiscal 2022. Further, the survey said "Startups in India have grown remarkably over the last six years. The number of new recognised startups has increased to over 14,000 in 2021-22 from only 733 in 2016-17,".

According to the Economic Survey 2021-22 (by Hon'ble Finance Minister Ms. Nirmala Sitharaman on January 31, 2022, in Lok Sabha), has predicted 8 to 8.5 per cent Gross Domestic Product (GDP) growth in FY2023 (April 2022 to March 2023). For the ongoing financial year 2021-22, the GDP growth has been estimated at 9.2 per cent.

As report published in Business Standard on March 25, 2022, Commerce and Industry Minister Sh. Piyush Goyal said in a written reply to the Rajya Sabha that "Sustained government efforts in this direction have resulted in increasing the number of recognised startups from 726 in FY 2016-17 to 65,861 in FY 2021-22 (as on 14th March 2022). Further he said that the recognised startups are spread across over 640 districts and have reported a creation of more than seven lakh jobs with an average of 11 jobs being created by them. The recognised startups, he said, are spread across 56 diversified sectors such as IT services, finance technology, technology hardware, enterprise software, artificial intelligence, and nanotechnology".

Further, in this report has also quoted reply of Minister of State for Commerce and Industry Sh. Som Parkash said on February 28 2022, that "the ministry has allocated Rs 2,791.29 crore to SIDBI, which in turn committed Rs 6,795 crore to 82 Alternative Investment Funds (AIFs), while Rs 8,785 crore have been invested by supported AIFs in 574 startups. The Startup India Seed Fund Scheme (SISFS) aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization...Rs 945 crore has been allocated under the scheme for a period of four years starting from 2021-22".

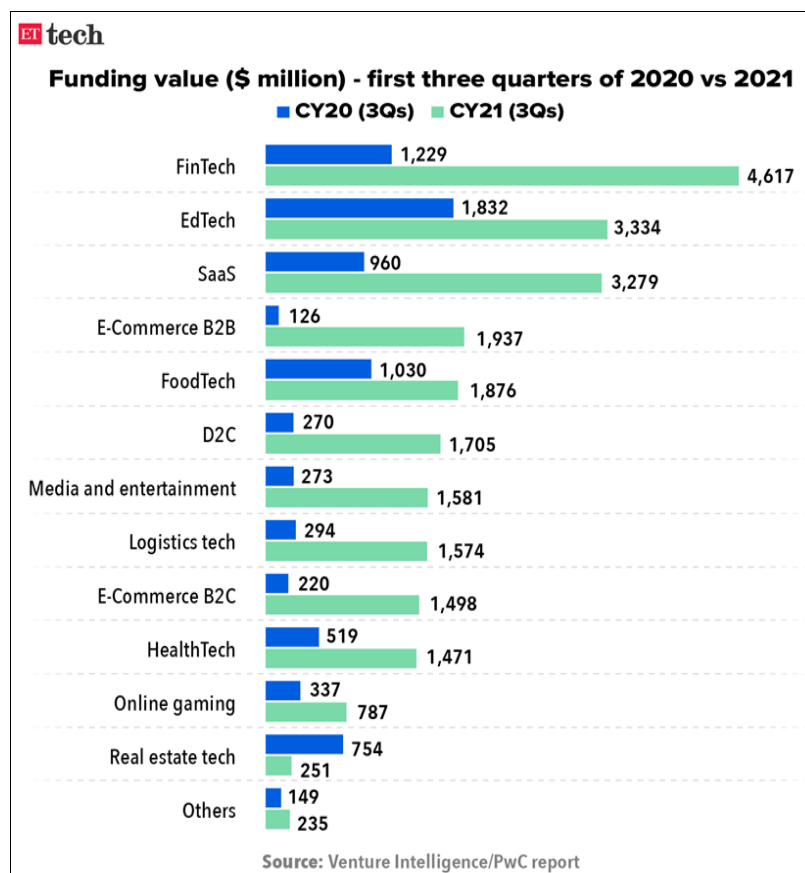
As per the report (Mr. Tushar Deep Singh) published in Economic times on Oct 19, 2021 that "Fundraising by Indian startups crossed \$10 billion in a three-month period in July-September 2021. New-age companies ripped a total of \$10.9 billion across 347 deals in the third quarter of calendar year 2021, according to a PwC India report titled 'Startup Perspectives - Q3 CY21'".



Source: Economics times.

Fig 1

Further, as mentioned in Economic times report dated Oct 19, 2021, by Sh. Amit Nawka (PwC India) that “Startups have accelerated digital adoption among businesses alike to create newer business and this is inspiring investor interest in this area. We are observing an increase in average deal size and quicker funding rounds, which has led to a surge in deal activity across sectors.” Further he added that namely “fintech, edtech and software-as-a-service (SaaS), three sectors together accounted for nearly 50% of the total funding activity in the three months that ended September 30, 2021”.



Source: Economics times.

Fig 2

Further in Economic times report dated Oct 19, 2021 also mentioned that about 89% of the funding activity in this year was driven by growth- and late-stage companies, which represent 39% of total deal activity in volume terms.

Conclusion

The Government launched the ‘Startup India’ program to build a strong ecosystem for nurturing innovation and startups in the country and generate large scale employment opportunities. Startup India is an initiative of the Government of India launched by the Hon’ble Prime Minister Shri Narendra Modi on 16 January, 2016.

Startup India at DPIIT has played a pivotal role in strengthening the key pillars identified for our startup economy. According to the report of Ministry of Commerce & Industry, funding opportunities to startups have been enhanced through the Fund of Funds Scheme with an overlay of INR 10,000 crore and the recently launched Startup India Seed Fund Scheme (SISFS) with an outlay of INR 945 crores.

The recognized startups have now spread more than 623 districts. Each State and UT has at least one startup. 30 States and UTs have announced specific Startup Policies to support startups. Remarkably, it took only 180 days to add the last 10,000 startups, as compared to 808 days for the first 10,000 at the beginning of the initiative. 743 startups were recognized in 2016-2017, in the first year of the initiative, which has now increased exponentially to over 16,000 startups being recognized in the year 2020-2021. Delhi, Uttar Pradesh, Maharashtra, Gujarat, and Karnataka, have the greatest number of startups. As per the Economic Survey 2021-22, Delhi has replaced Bangalore as the startup capital of India. Over 5,000 recognised startups were added in Delhi, while 4,514 startups were added in Bangalore between April 2019 to December 2021. With a total of 11,308 startups, Maharashtra has the highest number of recognised startups.

The sectors that had the maximum registered startups were ‘IT Consulting’, ‘Business Support Services’, ‘Food Processing’, ‘Product Development’ and ‘Application Development’. The leadership teams of 45% startups have a women entrepreneur, a trend which will inspire more women entrepreneurs to turn their ideas into startups.

About 1.7 lakh jobs were created by recognized startups in the 2020-2021 period alone. The recognized startups have contributed significantly to job creation, with 5,49,842 jobs reported by 48,093 startups. Entrepreneurs now have options to avail benefits across a range of laws, regulations, infrastructural support, fiscal and leading to a surge in startup ecosystem growth.

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