Indian Start-ups Boosting Economic Growth

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Abstract

Start-up India is about creating prosperity in India. Many enterprising people who dream of starting their own business lack the resources to do so. As a result, their ideas, talent and capabilities remain untapped – and the country loses out on wealth creation, economic growth and employment. India is poised to be a market where one can test the innovations. The growth of the Indian economy may be increased by the better utilisation of resources with new technologies and industries of startups. Startups may contribute to improved economic vitality and can support economic openness and skills improvement based on technological and business innovation. In 2018, trends shaping the startup ecosystem in India were consumerism and digital adoption. The average age of startup founders is 28 years and more than 9% of founders are women.

The start-up ecosystem is filled with euphoric highs and lows. It may further face challenges such as regulations, fundraising, and lack of mentoring, scaling correctly, managing cash flow and even finding the right employees. Investment in both human and physical capital, R&D and innovation, ease of doing business may increase economic activity in the country and may improve its global innovation ranking. Start-up ecosystem will progress with Government initiatives such as Skills India and Start-up India. The main objective of the paper is to study the latest trends in start-ups in India. It also identifies the Indian start-ups how it contributes to the economy. Present research paper is mainly based on the secondary data. The study is explanatory and conceptual in nature

Introduction

India is a developing south Asian country. It is a most populous and 7th largest country by area. Large population implies a large prospective market in India and puts more pressure for employment in the country. In recent years, Indian youth motivates towards self-employment instead of rely on parents or government or opportunities. Rather, they start to take initiative to look for new challenges. This encourages and promoting self-employment environment creates the start-up systems in India.

What is a Start-up

Definition of a 'Start-up' does not exist in the Indian context due to the subjectivity and complexity involved. Considering various parameters pertaining to any business such as the stage of their lifecycle, the amount and level of funding achieved, the amount of revenue generated, the area of operations, etc., some conceptual definitions are available in the public domain.

- A startup is a young company that is beginning to develop and grow, is in the first stages of operation, and is usually financed by an individual or small group of individuals
- A startup is a young, dynamic company built on technology and innovation wherein the founders attempt to capitalize on developing a product or service for which they believe there is a demand. With the gen-next cool trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of small businesses by these young entrepreneurs is definitely going to boost the Indian economy in the near future.

Start-up India is about creating prosperity in India. Many enterprising people who dream of starting their own business lack the resources to do so. As a result, their ideas, talent and capabilities remain untapped – and the country loses out on wealth creation, economic growth and employment.

Objective and Methodology

The main objective of the paper is to study the latest trends in start-ups in India. It also identifies the Indian start-ups how it contributes to the economy. Present research paper is mainly based on the secondary data. These data are collected from various websites, journals, and newspaper articles. The study is explanatory and conceptual in nature.

Start-ups Initiative in India

Honourable Prime Minister Narendra Modi announced on 15th August, 2015 "Start-up India, Stand up India" to promote Bank Financing for start-ups and offer incentives to boost entrepreneurship and job creation. Addressing the Nation on the 69th Independence Day, he said, "We are looking at systems for enabling start-ups. We want to enable start-ups to make India No. 1 in this field…. Start-up India; Stand up India."

Action Plan for Start-up

India Prime Minister Narendra Modi announces Action Plan for encouraging Startups on 16 Jan 2016. The Government plays an important role for establishing the new enterprises. The initiatives taken by the Government of India for startup are as follows.

- Funding support through Fund-of Funds with corpus of Rs. 10000 core.
- Entrepreneurs should register a company in one day, against 15-20 days as row.
- No tax on Profit, inspection for 3 years
- Capital Gain Tax exemption.
- Credit Guarantee Scheme.
- Easy & Faster Exit Policy.
- No Capital Gain if money is invested in another start up.
- Self-certification based compliance for Labour & Environment laws.

- Set up of startup India hub for clearance
- Mobile apps, portal for registration.
- Holding with Govt. acting as a friend and colleague.
- New intellectual property rights protection.
- 80% reduction in patent free and fast tracking patent examination.
- Encourage startups in Government purchase.
- Special Scheme for women entrepreneurs.
- Support bio-technology startups
- Programme to encourage innovation among students in 5 lakhs Schools.
- Building innovation centers at National Institutes.

Start-up India - Empowering Economy Growth

India is set to start working on new and innovative ideas, to outperform all other nations on the world stage in the years to come. Setting up of small businesses by young entrepreneurs is definitely going to boost the Indian economy in the near future. India is a home for almost 3100 start-ups starting per year standing just behind US, UK and Israel according to the NASSCOM report of 2015. If the growth is continued on the same pace then it is expected that Indian tech start-ups will generate almost 2.5 lakh jobs in the next five years.

India enjoy demographic dividend and it is anticipated that by 2020 India will be a home to 112 million working population falling in the age bracket of 20-24 years as compared to that of 94 million workers of China. This demographic dividend will definitely boost the startup culture in the country. It has already started bearing fruits and is all geared up to benefit the Indian economy in the long run.

In the recent years, different countries are taking different initiatives to link up their businesses with the Indian startups. For Example: Business council of India in United Kingdom (UKIBC) is hosting startups of India in UK. Similarly, Swissnex, an agency of Switzerland is conducting market research in India with the help of its entrepreneurs to identify suitable business opportunities for them. On the same lines, Zone Start-ups based in Toronto Canada is also conducting research to understand Indian taste, culture and requirements that they can fulfil. It is said that almost all global giants such as Wal-Mart, Goldman Sachs, Target, Thomson Reuters are eyeing towards Indian start-ups to tap the huge business opportunity.

Venture capital funds from abroad and angel investors are proving to be a big boon for Indian start-up story. Indian start-ups such as Flip kart, Olacabs, Snap deal, Hike, Shop clues, free charge, Inmobi etc. receive various rounds of follow-on financing as well either from their existing investors or from any new investor. These various rounds of funding also help these firms to hire more talent into the company. This helps the company to grow strategically and also add some more experienced people in the firm. In the recent times head hunting and poaching are common among these tech start-ups. There is a huge demand for Indian software engineers around the world. Any start up owner in any country sets an eye to hire talent from India, since it reduces their cost by almost 25% and at the same time it provides a very good employment opportunity for the developer.

Indian government is also taking several steps to build an environment which is suitable for startups, since small businesses can play a very important role to develop and boost Indian economy in the future. In the Union Budget of 2015, government has established a process or a mechanism known as Self Employment and Talent Utilization (SETU) to support all the aspects of startups right from their seed financing stage to their growth stage. Also, government is also setting up 'innovation labs' at various places which are similar to that of 'incubation centers' in large national and foreign universities. It is also anticipated that government may roll out a Rs. 2000 crore fund to provide seed capital to startups related to IT and biotechnology.

Start-up Trends - Some Reflections

India is poised to be a market where one can test the innovations. The growth of the Indian economy may be increased by the better utilisation of resources with new technologies and industries of startups. Startups may contribute to improved economic vitality and can support economic openness and skills improvement based on technological and business innovation.

In 2018, trends shaping the startup ecosystem in India were consumerism and digital adoption. The average age of startup founders is 28 years and more than 9% of founders are women. In the next decade GDP of the country may be doubled. There is an increasing trend of contribution of domestic consumption to GDP. Urban-rural aspirations and behaviours are blurring. Indians are willing to spend on goods and services that assist them in their work, improve their education or take them up the value scale.

India has about 500 Mn internet users, the second largest online market after China. The country is also expected to witness a digital transformation in the next few years. About 59% of countries population is expected to have internet access by the year 2021. The trend driven by government push towards digital initiatives and affordability of smart phones is expected to continue in both rural and urban areas.

The Industries which saw momentum in 2018 and which will see higher growth may include:

Block chain

The industry may expect an implementation of block chain across sectors and of evolving technologies such as brain-computer interface, quantum computing, smart robots to bring efficiency in business processes. Costs and inadequate governance could be a challenge to developments of block chain projects.

Data Analytics

Data is becoming increasingly commoditized and companies will think more critically about monetising their data, as well as using data innovatively to create value for customers and the business. Data monetisation may correlate with better performance including adding new services to existing offerings, developing entirely new business models, and partnering with other companies in related industries to create pools of shared data.

Data analytics cater to various sectors including Finance and Banking, which continues to be the largest sector being served by analytics in India. It accounts for overall revenue of 37% or $756 Mn in revenues. India ranks among the top 10 destinations for analytics with over 600 analytics firms. While more than 50% of them are start-ups.

Artificial Intelligence

Artificial Intelligence may evolve from narrow AI to broad AI. AI will be characterised by the ability to learn and reason more broadly across tasks, to integrate information from multiple domains while being more explainable, secure, fair, auditable and scalable. Risk management practices such as standard workflows and benchmarking frameworks may gain adoption for mitigating against privacy encroachments and socioeconomic biases.

AI's economic impact will come from the consumption side, through higher-quality, more personalized, and more data-driven products and services. The global AI market would be as big as $ 15.6 trillion by 2030, of which India could get $3 trillion.

Internet of Things

The industry may witness the emergence of an IoT run market to help manage, monitor, and operate the fragmented array of IoT networks, devices, and assets. Block chain can be used within the context of an IoT solution, providing an alternative to cloud-based systems and enabling device-level automated commerce. Deployment of customizable 5G networks may increase the efficiency of IoT networks. As per a report by Nasscom, The IoT market in India is poised to reach USD 15 billion by 2020, accounting for nearly 5 per cent of the total global market.

Apps and Platforms

The rise of emerging technologies like voice, immersive reality, connected devices, and 5G will alter consumer behaviours in the year ahead. Offering of unique VR content, such as social VR, should captivate consumers in 2019, which will drive consumer awareness of VR headsets and adoption at scale. Visual elements will add value to voice apps to engage consumers.

These startups have been witnessing adoption across industry verticals along with mobile first consumption, digital twin for the digital representation of a real-world entity to measure response to change using operational data, internet users of Indian languages, social and content-based commerce, robotics and digital payments.

Funding

The investment in Indian start-ups increased 110% annually from $2 Bn in the first three quarters of the year 2017 to $4.2 Bn during the same period in 2018. Bengaluru is followed by Delhi-NCR for deal value and volume for start-ups. Mumbai is third in the ranking both in terms of value and volume. Chennai and Pune are in top five in terms of volume. 40% of start-ups are formed in tier two and tier three cities in country. India is a market of innovations for its diverse geography and population. Affordable and accessible technology will provide opportunities to entrepreneurs to scale their innovations and positively impact industries.

Indian Start up Ecosystem - Upcoming Trends

With close to 40,000 start-ups in India, the country's start-up game is on point and many young entrepreneurs are on the run to showcase their disruptive ideas to the world. The start-up ecosystem is filled with euphoric highs and lows. It may further face challenges such as regulations, fundraising, and lack of mentoring, scaling correctly, managing cash flow and even finding the right employees. Investment in both human and physical capital, R&D and innovation, ease of doing business may increase economic activity in the country and may improve its global innovation ranking. Higher incentives for investment across sectors, macroeconomic indicators for stability and structural reforms will improve the business ecosystem. Innovation efforts could sustain financial performance. Innovation program integrated with business strategy, culture and focus on the end user to meet market expectations may transform the customer experience. Start-up ecosystem will progress with Government initiatives such as Skills India and Start-up India.

Sector Trends

- Healthcare will continue to be a growing sector, with a shift towards the deep vertical/specialised focus.
- In Fintech, while lending seems passé, 2019 will see the emergence of insurance offerings and Wealth Management solutions targeted towards India. Wealth management will see both offline and online players compete for the same customer segment.
- There will be an emergence of new asset models. 2019 will see Land as an asset model (cars and real-estate will continue to be hot, as the market will move towards consolidation in these spaces)
- Drones will see revive a rejuvenation of interest with the new Government regulations coming finally in place.
- We will continue to see the market adapt health-related products targeted with healthy eating options, fitness for mind and body. The market consolidation will not yet happen in 2019.

- Consumer brands will continue to see increased capital inflow in Product plays. It remains to be seen if Brand only plays can find any footing in India
- Cloud will continue getting increased adoption by Enterprises and SMEs – much more room for SaaS startups to gain traction in India. Models where product building happens in India and target global markets will remain a hot favorite among investors

Start-up India - Boosting Entrepreneurship

Government of India launched Start-up India campaign to encourage entrepreneurship in India's young generation who despite being skilled and able to launch their own ventures become dependent upon various types of jobs and remain under employed. India's demographic dividend is conducive to Start-ups with high potential. India as the youngest nation in the world and huge overall population has one of the largest consumer base in the world. For every unique need of every segment of population there is opportunity for new venture. Our infrastructure, healthcare, education systems are in dire need of up gradation where start-ups can make huge difference.

Cities like Jaipur, Chandigarh, Chennai, and Jodhpur are witnessing increasing startup activities. Successful startup like Zo rooms was conceived in small city like Jodhpur. Southern States like Karnataka, Kerala, Andhra Pradesh and Telangana have shown better results than the rest of the country in terms of their policies implementations for supporting startups. These states have focused on improving infrastructure, especially in the Tier-II cities. Launch of "*Kerala IT Mission*", which focus on fetching ₹50 billion (US$780 million) in investments for the State's startup ecosystem is a great example Kerala has made India's first telecom incubator Startup village in 2012. The state also matches the funding raised by its incubator from Central government in 1:1 ratio.

Telangana has launched the largest incubation center in India as "*T-Hub*". Andhra Pradesh has allocated a 17,000-sq.ft. Technological Research and Innovation Park as a Research and Development laboratory. It has also created a fund called "*Initial Innovation Fund*" of ₹100 crore (US$16 million) for entrepreneurs. Madhya Pradesh has collaborated with the Small Industries Development Bank of India ISIDBI) to create a fund of Rs. 200 crore (US$31 million) for Start-up India campaign. Rajasthan has launched "Start-up Oasis" scheme. Government of Odisha organised a two-day Start-up Conclave in Bhubaneswar in November 2016. The main objective of the event was to motivate youth towards entrepreneurship, showcase the start-up ecosystem in Odisha and attract more start-ups to the state.

Start-up India a Telangana Perspective

Entrepreneurship has been a buzz word in metropolitan cities. After the launch of Start-up India Scheme many entrepreneurs have come forward to take up Entrepreneurship. The Government of Telangana is active in bringing the culture of Innovation and Entrepreneurship in the state. Telangana State Innovation cell (TSIC) is one good initiative by the Telangana Government to accelerate the start-up ecosystem. Entrepreneurs will get an opportunity to get their Start-ups incubated *i.e., coached and prepared* in one of the best incubators to succeed in their journey from idea to enterprise.

Hyderabad Known for its IT legacy has acquired a serious reputation as a growing start-up hub. The number of entrepreneurs choosing to start up in the city is growing**.** One strong indicator of growth is funding raised. Indian start-ups raised $8.3 billion funding in 2015. Start-ups from Hyderabad raised $43 million that year **-** just 0.52 percent of the total. Indian start-ups have raised $11.23 billion so far. Of this, Hyderabad-based start-ups accounted for $400.95 million - that's 3.5 percent of the total. In 2015, the Nizam's city was home to around 1,500 start-ups. Today, that number has grown to 4,000, according to the Telangana State Innovation Cell (TSIC).

The IT legacy is testament to that. But in these three years, there has been growing awareness and push towards new-age technology start-ups. Each year, at the Centre of Innovation and Entrepreneurship (CIE), the kinds of start-ups that come in are different. The entrepreneurs are maturing and growing.

According to the CIE, there are 18 student-driven start-ups at IIIT today, up from just eight in 2015. In all, CIE is currently incubating 78 start-ups versus 54 in 2015. Being one of the youngest and newest states in the country, the state government's policy framework focused on physical infrastructure and programme management capabilities, which facilitated the setting up of T-Hub in a public-private-partnership involving active participation from three academic institutes - IIIT-H, Indian School of Business (ISB), and NALSAR.

T-Hub becomes operational in 2016. It is spread over 70,000 sq ft and currently houses over 200 start-ups. The policy document by the government states that in the second phase, the facility will be spread over 3 lakh sq ft and will house over 3,000 start-ups**.** T-Hub offers a co-working space that gives start-ups a chance to forge partnerships with companies, investors, and mentors, among others. Gayam Motors, an electric vehicle (EV) startup, which was incubated at CIE and T-Hub, was selected to be a part of the Summit Mercedes-Benz EQ Global Fellowship**.**

Focusing on manufacturing, healthcare

The CIE is now planning to set up an accelerator that will focus on health/medical technology start-ups. Many start-ups in the space could be a part of the incubator; the government also announced the first phase of T-Works to focus on manufacturing and product start-ups. There are currently 40 incubators in the city, but they need to collaborate to grow faster. Collaboration always helps and makes the city grow faster. It is like the fuel that pushes strategy into action**.**

To create a sustainable funding model for start-ups in the city, the government has set up the T-Fund with an initial corpus of Rs 100 crore**,** The T-Fund is also planning to start a Rs-600-crore seed fund that will take contributions from private investors. Hyderabad has a strong base of entrepreneurs and entrepreneurship. Start-ups in Hyderabad are as good as start-ups in Bengaluru, Delhi, or Mumbai. Former cricketer Sachin Tendulkar's interest in start-ups by investing in city-based USPL and Smartron gave the city a big boost.

This year, healthcare has accounted for $130 million of the total funding raised by Hyderabad-based start-ups. ThinCI, which is registered in the US, but runs its operations from the city, raised Series C of $65 million this year, reinforcing its image as a favourite for SaaS start-ups. Health tech start-ups based in Hyderabad include StanPlus, Nephroplus, Call Health and Ekincare.

Indians have been slowly gravitating towards building businesses around hardware, both mechanical and electronics. We have companies that make wearables, electric bikes, IoT gadgets, and medical devices right here in Hyderabad.

With Industrial Revolution 4.0, creating products has become democratised. Indian start-ups are bound to take advantage of this trend and T-Works will become a great enabler. TSIC is working to bring in the collaboration to create a vibrant ecosystem to make a strong mix of a mentorship network of people who have built large companies and old traditional businesses. Over the last three years, Hyderabad has been going all guns blazing – from policies and infrastructure to funding, mentorship and even education. What remain to be seen is how it succeeds and how the Hyderabad start-up ecosystem evolves in the days to come.

Conclusion

The government's new initiative for start-ups promises swift approvals for starting enterprises, easier exits, tax and fiscal incentives, faster registration of patents and protection of intellectual property rights. It signals a possible end to the inspector raj that has sapped the energy and spirit of many young entrepreneurs in the country. Unlike India's large business groups, small entrepreneurs find it difficult to navigate the complex bureaucratic and regulatory maze. From that perspective, these supply-side reforms are welcome. But the easing of rules and creation of a conducive policy environment should not be restricted just to start-ups. It should be extended to all businesses. That will be the real test, along with getting more Indian firms domiciled overseas because of rules here to move back. Otherwise, the losers will be the government and local investors.

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