

A Role of Indian Startups on Economic Growth

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Abstract:

India is set to become youngest nation by 2020. But when the term employment is concerned, the job availability in India is limited, and Even when cheap manpower is available in India on large scale and to counter these situation new jobs should be created. Tier 1 cities are having abundance of job opportunity but the same is lacking in tier 2 & tier 3 cities. On other hand Demographic dividend of India is on a positive track, to take advantage of Demographic Dividend Government of India announced a Scheme 'Startup India'. Startup India Campaign aims in promoting bank financing for start-up ventures which eventually boost entrepreneurship which ultimately result in job creation. In this research paper, researcher wants to light upon the role of startup on economic growth & the benefits & issues occurring in Startup Scheme. Analyzing the issues even proper suggestions are listed by researchers.

Key Words: Economy, Startup, Employment, Finance, Growth.

An Overview of Indian Startups:-

"Start-up India; Stand up India"

The Government of India decided to boost the Startup ecosystem in the country and help India become a nation of job creators rather than job seekers. The Hon'ble Prime Minister of India, Shri Narendra Modi, on the 69th Independence Day celebration of India, announced the 'Startup India' initiative and subsequently, launched the Startup India Action Plan on January 16th, 2016 in New Delhi. The Government through this Initiative aims to empower Startups to grow through innovation and design and to accelerate spreading of the Startup movement. India was considered as the market for providing cheap labor to the world and for export of Indian services in the field of IT. Due to this India has witnessed low product development and innovation in the past. But, still it is not too late and the culture of start-ups has started in India in the recent past. It has already started bearing fruits and is all geared up to benefit the Indian economy in the long run.

As it is a known fact that when someone starts a new enterprise or tries to get into entrepreneurship they face many problems like finance, land permissions, environmental clearance, foreign investment proposals, family support etc. It is one of the much needed initiative plan of Government of India. This initiative focuses on filling the gap in the economy and its development and has the objective to fire the entrepreneurial blood at the bottom level. It has brought lot of positivity and confidence among the entrepreneurs & economic position of India.

A startup business is defined as an organization:

- Incorporated for three years or less
- At a funding stage of Series B or less
- An entrepreneurial venture/a partnership or a temporary business organization
- New and existence for not more than five years
- Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring
- Formed through splitting or restructuring

The exact definition of "startup" is widely debated and discussed. However at their core, most definitions are similar to what the U.S. Small Business Administration describes as a "business that is typically technology driven and oriented and has high growth potential".

The reference to "growth potential" may mean growth in revenues, number of employees, or both, or to the scaling up of a business to offer its goods or services to a wider or larger market.

• Objectives of the study:

1. To study the concept of start-up India.
2. To study the government action plans of start-ups for boosting economy.
3. To study the role of start-ups in economic growth.

Role of startups in Indian Prospects:-

Fortune of employment:-

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. India is a home for almost 3100 startups 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 startups will generate almost 2.5 lakh jobs in the next five years. * National Association of Software and Services Companies

Demographic Dividend & Technology Linkage:-

India is also said to 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.

Initially, India was considered as the market for providing cheap labor to the world and for export of Indian services in the field of IT. Due to this India has witnessed low product development and innovation in the past. But, still it is not too late and the culture of startups has started in India in the recent past. It has already started bearing fruits and is all geared up to benefit the Indian economy in the long run.

Tech startups are leading the growth of startup era and it is ready to boost revenue generated by IT-BPM sector by almost 12-14 per cent for the current fiscal year as well. It is anticipated that the e-commerce market of India will grow by more than 50% within the next five years. India witnessed the largest infusion of capital from overseas through venture capital funds in the year 2014 in the indigenous startups. After the inception of new government in the center, an optimistic view has been developed around the growth story of Indian economy. This government has also started working towards improving India's rank in World Bank ease of doing business in which India is currently ranked at 142 positions. This will definitely boost the startups of the country. Foreign investors have started looking towards India as a favorable investment destination. Indian startups are proving to be the major tool for diverting a huge chunk of foreign wealth into the Indian economy.

Opportunity from developing to Developed nations:-

Developed nations are now looking towards fast growing and emerging nations such as India to tap the huge untapped potential in these markets. 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 Startups based in Toronto Canada is also conducting research to understand Indian taste, culture and requirements that they can fulfill. It is said that almost all global giants such as Walmart, Goldman Sachs, Target, Thomson Reuters are eyeing towards Indian startups to tap the huge business opportunity.

Angle Investors Across the globe:-

Venture capital funds from abroad and angel investors are proving to be a big boon for Indian startup story. Indian startups such as Flipkart, Olacabs, Snapdeal, Hike, Shopclues, Freecharge, 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 startups. There is a huge demand for Indian software engineers around the world. Any startup 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.

Apart from funding, mergers and acquisitions are also helping these startup companies to grow by acquiring new capabilities directly and expanding into the market share of the acquired company. The best example of this could be buying of Myntra, an app based shopping portal by another technology giant Flipkart to gain the market share. Snapdeal recently acquired Freecharge to grow into the area of mobile payment gateways, since mobile payments are a next hot spot sensed by various startups presenting immense opportunities for further penetration. Not only in India but also internationally tech giants have used acquisition of companies as a way to maintain their position of market leader and also as a way to enhance diversification. An example of this could be acquisition of messaging app Whatsapp by another giant Facebook.

Education hub:-

Startups are flourishing in India not only in the field of internet but in various other fields as well. Educational tech startups are a new hot bee among various investors since it is anticipated that the complete educational system will be digitized in the near future. Similarly, startups are also eyeing big data for analytics, healthcare, beauty and fitness, biotechnology and other areas as well. Several startups have also ventured into food delivery service as well. Examples include Mast Kalandar in Mumbai and Bangalore, Eatlo, Freshmenu, TinyOwl etc. These have generated employment opportunities in large number for unorganized sections of the society in the form of delivery persons. At the same time, it has increased convenience for consumers as well.

Business to Business:-

Apart from shiny conventional startups there are enterprise startups as well. They are broadly classified into two types: Application and platforms. These are basically B2B startups and aims to simplify the various underlying processes for businesses. Application startups are basically for IT, developers etc. Exotel, Knowlarity are startups for developing applications. Young entrepreneurs are also exploring

opportunities in the field of development of gateways for mobile or online payment. It is a well-known fact that India is all set to become the second largest market for smartphones by 2016 after United States. It is mainly going to happen due to increase of affordable smartphones in the country. This sector witnessed almost 50% growth in the year 2014 only. Due to this, it is anticipated that the number of people using online transactions will also increase at the same pace, presenting huge opportunities for Indian startups. Startups such as Paytm, Inmobi, freecharge etc. have already started covering this market.

Government proposal:-

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.

GDP and Per Capita Income:-

India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

Considering the importance of role that the Indian startups are all set to play in the growth of Indian economy, the amount of income and the huge number of jobs that can be created by facilitating startups, even the market regulator Securities and Exchange Board of India (SEBI) has also relaxed some rules to facilitate the flow of funds from the market to the startups.

Scenario of startups in India:-

- 1) India is the third largest Startup hub.
- 2) Average age of startup founders is 28 years.
- 3) 9% of the total startup founders are women
- 4) Total tech startups are expected to increase from 4300 in 2015 to 11500 in 2020.
- 5) Average number of new technology startups has moved from 480 in 2010 to 800 in 2015. Expected to increase to 2000 in 2020.
- 6) Majority of startups and investors are from metro cities.
- 7) Approximately, 50% growth in share of female entrepreneurs in the last 12 months.
- 8) The number of Private Equity and Venture Capital firms has doubled in the last 12 months.

India is amongst the top five countries in the world in terms of startups. US ranks number one on the list with 83,000+ startups. There are approximately 10000 startups in India. In the Technology based startups, maximum concentration is in E-Commerce sector (33%) followed by B2B sector (24%), Consumer Internet (12%) and other sectors comprise 13%. On the other hand, in the Non Technology based startups, the maximum concentration is in the Engineering sector (17%) followed by Agro Products sector (13%) and other sectors comprise 32%.

Hence, taking into consideration all the above developments, it can be concluded that indigenous startups will not only make the lives of the people easier through their affordable and convenient services but will also act as a major booster for the development and the progress of the Indian economy.

Conclusion & Suggestions:

The campaign such as Startups India is important in India, but some lacunas could be observed in Indian Startups, it could be as follows,

Entrepreneurship couldn't be developed in a day. A proper training is needed to develop a successful Entrepreneur, and this training should be started from educational institute itself, in which India is lacking behind. Industries & Academicians both should come together to develop the Entrepreneur Skill in Youth for a sustainable growth. Secondly, when Startups are concerned 90% of Ventures capital is gain in form of FDI, this scenario should be changed so that Startups could gain their financial support more easily. Moreover proper infrastructure for Startups could be seen in Tier 1 cities but the same is missing in Tier 2 & Tier 3 cities which are important for Inclusive growth of Economy. Startups helps bypassing 'Inspector Raj' which is a good step but severe regulation of Government are still seen in today's businesses which is a key reason that youth choose to go as Job Seekers and not Job creators. It is observed that proper incubation centers are missing, and as a solution the highest Ranking Educational Institute such as NIT, IIT, and IIM should come in front to develop this kind of center. Moreover government should even try to take initiative to change People's mindset to create interest in Entrepreneurship as people prefer Jobs rather than starting their own businesses. To develop Indian Economy in more sense such Lacunas should be dropped down in proper way to achieve a more sustainable Economy.

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