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## Growth of startup ecosystems in India

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### Abstract

India is a developing south Asian country. It is a most populous and 7<sup>th</sup> largest country by area. Large population implies a large prospective market in India and puts more pressure for employment in the country. In the present decade, India is undertaking an essential shift towards startup welcoming policies and a business friendly environment. India is a populated country having increasing demand which is putting a competitive environment forcing to create innovative systems. One of these systems is a Startup ecosystem. This paper is aimed at about the growth and prospects of Startup systems in India.

**Keywords:** Startups, Innovation, Technological Business Incubator, India

### 1. Introduction

India is a developing south Asian country. It is a most populous and 7<sup>th</sup> 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 startup systems in India.

### What is a Startup

Currently a clear definition of a 'Startup' 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. The Department of Industrial Policy and Promotion (DIPP) is also working around a clear definition for startups and is expected to make it public in due course.

- 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 company that searches for an unknown business model in order to disrupt existing markets or create new ones.
- 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.

### Definitions of Startup

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
- A startup is defined as a business that:
- Engages in development, production or distribution of new products, processes or services
- New and existence for not more than five years
- Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring

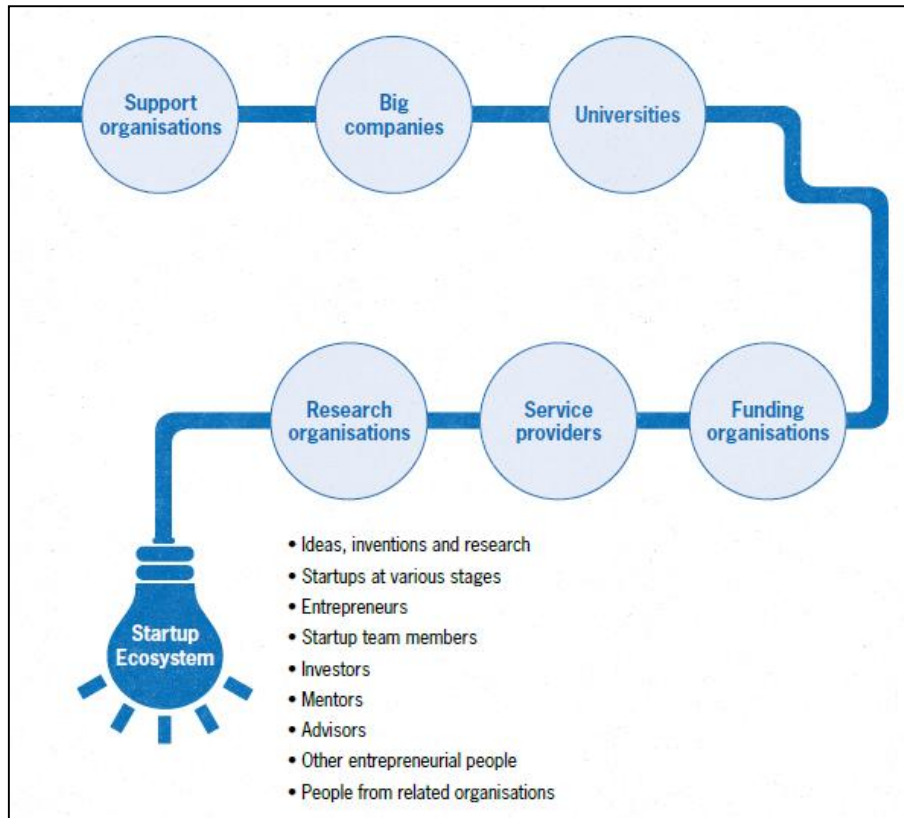
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According to an Infosys Co-founder, a startup is defined as a business:

- Within the first three years of its existence
- Employing 50 people or less

- Revenue of INR 5 cr. or less  
(ASSOCHAM India (2016) Startups India - An Overview)

## 2. Origin of startups ecosystem



Source: ASSOCHAM India (2016) Startups India - An Overview

### 3. Start of Startups Initiative in India

Honorable Prime Minister Dr. Narendra Modi announced on 15th August, 2015 "Start-up India, Stand up India" to promote Bank Financing for startups 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." The Government's Union Budget allocation of INR 1,000 Cr. towards the Self Employment and Talent Utilization (SETU) scheme is a major boost towards promoting start-ups in the Country.

### 4. Call for startup ecosystems in India

In the present decade, India is undertaking an essential shift towards startup welcoming policies and a business friendly environment. India is a populated country having increasing demand which is putting a competitive environment forcing to create innovative systems. These startup ecosystems works on a continuum from basic research to the transfer into developed companies or entrepreneurs. To corroborate this process, the most of the works are using the record number of patents as a proxy, given the difficulty of measuring new products, services and process for the market.

### 5. Research Methodology

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.

### 6. Action Plan for Startup India

Prime Minister Narendra Modi announces Action Plan for encouraging Startups on 16 Jan 2016.

- 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.
- Setting up Research Park.

## 7. Problems and conclusions

India declared 2010-20 as the Decade of Innovation. Innovation is the key for startup ecosystems and results for more industrialization. That increases the per capita income of a country. But the great problems in Indian markets are that they are unorganized and fragmented. There is a lack of unambiguous and transparent policy motives, lack of communications sources, lack of knowledge and exposure. Startup systems require a combination of friendly operational, regulatory and taxation issues that affects the working of business environment very much. For building an entrepreneurial environment, the government, big corporate, educational institutions should come forward to provide a culture for startups in India. Mentor programmes, innovative essay competitions, workshops, seminars should be organized by the government and universities. From an overall viewing, India had a very high scope for growth of startup ecosystems. India offers the largest pie of venture prospect that the world is eyeing.

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