

STARTUPS CAN BE THE GAME CHANGER FOR INDIAN ECONOMY

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***Abstract:** India is among the world's fastest growing economy. The only way to maintain growth is constant innovation for growth. Innovation will give faster results in growth and will flourish entrepreneurship. Indian Government is taking various steps to build favorable environment for startups which can boost entrepreneurship, innovation and job creation for economy in future. Startups have potential to give faster results and will boost innovation. In the year 2014 in various startups India witnessed the largest infusion of capital through venture capital funds. India's e-commerce startups are a leading example of growth with innovation. It is anticipated that it will grow by more than 50% in next five years. The startups create an environment for youth to enter in the field of entrepreneurship and become job creators and not job seeker. At the same time there are challenges and disruption in startups. The figures of shutting down of startups are also high. This study is undertaken with the objective to discover both the aspects of startups. These startups can be disruptive if not handled properly or it may prove an engine of growth becoming the game changer for Indian economy.*

***Key words:** Startups, Innovation, Entrepreneurship, Venture capital funds, Job Creators*

INTRODUCTION

India is among the world's fastest growing economy. The only way to maintain growth is to constant innovation for growth. Innovation will give faster results in growth and will flourish entrepreneurship. Startups have potential to give faster results and will boost innovation. India's e-commerce startups are a leading example of growth with innovation. In year 2014 the greatest achievement for which India was applauded was successful landing of spacecraft on planet Mars. Similarly 2015 was a landmark year for startup trend as \$18 billion pumped into Indian startups during 2010-15 out of which nearly fifty percent came in 2015 alone. Prime Minister Narendra Modi's ambitious Start-up India campaign was inaugurated at Vigyan Bhavan in New Delhi on 16 January 2016 by the finance minister Arun Jaitley. The campaign was attended by 40 top CEOs, start-up founders and investors from Silicon Valley as special guests. Startup India campaign is focused to boost entrepreneurship, jobs creation, to get rid of license raj and other hindrances in starting business.

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Key Features of Startup Programme

Some of the key features of Startup Campaign are:

- For promotion of startup ecosystem in India 10,000 crore funds has been set up.
- Single Window Clearance even with the help of a mobile application.
- 80% reduction in patent registration fee.
- Capital gain tax is exempted for three years.
- Freedom from tax in profit for three years.
- Self-Certification by the entrepreneur with no labour inspections for three years.
- Innovation hub under Atal Innovation Mission.
- Three innovation awards to be given per state and union territory, three National Awards and a Grand Innovation Challenge Award for detecting ultra-low cost solutions for India.
- The Human Resource Development Ministry and the Department of Science and Technology in partnership agreed to set 75 startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and NIPERs or National Institutes of Pharmaceutical Education and Research.

Eligibility for the Programme

In order to be eligible for the tax exemption and benefits startup should have the following features:

- It must be an entity registered/incorporated.
- Five years must not have elapsed from the date of incorporation/registration.
- Annual turnover in any preceding financial year must not exceed Rs. 25 crore.
- Startup must be working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property.
- The Startup must not be formed by splitting up, or reconstruction, of a business already in existence.
- The Startup has obtained certification from the Inter-Ministerial Board, setup by DIPP to validate the innovative nature of the business.

COMPARISON OF STARTUP INDIA AND OTHER PARAMETER OF TOP NATIONS

India when compared with other countries in numbers shows much room for growth and future scope of start ups.

Table 1
India and Other top countries in terms of growth and future scope

<i>Particulars</i>	<i>India</i>	<i>China</i>	<i>US</i>
Population	1.2B	1.3B	0.3B
GDP\$	\$1.8 Trillion	\$7.3 Trillion	\$15 Trillion
Population Less than 30 years	63%	38%	42%
Internet Users	125 Million	516 Million	243 Million
Internet Penetration	10%	38%	78%
Smartphone Penetration	3%	19%	76%
E-Commerce Market size	\$1.6B	\$170B	\$215B

Source: World Start up Report, 2013

It is also predicted by NASSCOM the speed of startups will increase from 3-4 every day in 2015 to 6-7 every day by 2020. Also future potential can be seen that still there is 1 entrepreneur for every 150,000 Indians (assuming average 2 founders per startup) compared to 1 in 3,500 Americans and 1 in every 7,000 British.

Table 2
India and US in number of deals and % share in startup

<i>Particulars</i>	<i>US</i>	<i>India</i>
Number of VCs	1300	156
%share in Global VC funding	76%	5%
Number of deals in 2014	3617	510

Source: NASSCOM, International Monetary Fund (IMF)

The number of deals in Venture Capital in last five years is doubled and total funding has increased to four times in India. There are over 150 active VCs, 300 active angels, and 100 active incubators/accelerators along with startups that form the Indian start-up ecosystem. Though there is growth in the Indian ecosystem yet it is in initial stage when compared to the matured Silicon Valley and USA ecosystem.

Though the comparison can be seen as unfair but it gives general direction in which VC industry can grow that is only up. The more sought sectors are ecommerce, transport, food, logistics, and financial services. USA share in global deal is 76% which was fallen from 95% in 2006. It is also noteworthy to see that combined share of India and China deal value has risen from 2% to 24% over the past decade.

Table 3
India and Other top countries in terms of share and number of deals

<i>Particulars</i>	<i>US</i>	<i>UK</i>	<i>India</i>	<i>Israel</i>	<i>China</i>
Number of Startups	47000-48000	4500-5000	4200-4400	3900-4100	3300-3500
2015GDP(In billions)	17,968	2,865	2,183	2,99	11,385
2015-20 Nominal growth	4.4%	6.1%	9.5%	2.6%	8.5%
Population/Startup	6,758	13,684	3,00,698	2,000	4,04,412

Source: NASSCOM, International Monetary Fund (IMF)

Reasons for Excitement

As per the data of Your Story.com some of the figures of 2014 are:

- Helion Venture Partners was top of the investors list with 14 deals, followed by Sequoia Capital and Blume Ventures with 13 deals each.
- With respect to cities where startups are funded Bangalore lead the race with \$2.43 billion, followed by New Delhi at \$1.43 billion and Mumbai third position with \$610 million.
- With respect to breakup of sectors ecommerce took the largest funding with \$3.23 billion followed by sectors of consumer Internet and mobile apps.

Three reasons for excitement in India are:

Increasing Numbers in Various Criteria of Startups

- As per NASSCOM, India has moved to 3rd position in number of startups.
- Nine Indian startups have been valued at more than a billion dollars.
- In 2014 there were 80 Incubators; the number has increased to 110 in 2015.
- Average valuation of startups is \$2.5 – \$2.7 million which indicates increase of confidence.
- 80,000 – 85,000 directly employed by Start-ups and it is expected to increase to 2, 50,000 in coming future. With this the indirect potential for employment is even higher.
- 8 out of 10 VCs & PEs operating in India are foreign companies which reflect great confidence in Indian Entrepreneurship and technology by foreign companies. More domestic companies will join the race in coming time.
- Also average ages of founders are 28 years it seems to be sustainable with increase of entrepreneurship skill, employment opportunities and revenue generation.

Enhancement to Economic Growth

India will play a bigger role and will be one of the engines of world growth in future as predicted by various authorities. To keep this growth one needs to be focused on the opportunities of startups for future revenue and employment generation.

Population

In order to serve increasing population in targeted manner startups will serve the purpose in more focused manner. If the population is split equally between startups, every business would have a target population of 300,000 all to itself. In USA it is 50000 which show that there is space for more focused approach and value driven market. Moreover Indian startup scene is dominated by young Entrepreneurs with 73 percent of founders in the age of less than 36 years. Adding to these Women entrepreneurs is also contributing to innovation in economy.

Top changes in Startup ecosystem in next 5 years

- India will become second largest in terms of number of startups after overtaking United Kingdom.
- The coming years will be more about exit valuation rather than entry valuations.
- Women Entrepreneur will form an increasingly larger share of startups ecosystem.
- Merger and Acquisition will increase in future for survivals and to increase market share.
- Well Established Indian startups will be providing funds for entry and exit.
- The share of startups will increase in tier II and tier III cities.

FACTORS RESPONSIBLE FOR FAILURES IN NEW STARTUPS IN 2014-2015

Analysing the various factors responsible for failures of startups in 2014-15, the major among them are:

- Lack of Funding
- Lack of Technological support.
- Improper Team
- Lack of Knowledge about Field.
- Launching too early.
- Marginal Niche.
- Premature scaling

- Raising less funds.
- Spending too much.
- Lack of Expertise Backup

CHALLENGES

Some of the various challenges for startups in India are:

- India's inadequate infrastructure facilities.
- Gap between quality of education and required skill set for which training is required.
- Availability of risk capital.
- Timely execution of the schemes and policies.
- Internet connectivity in tier II and tier III cities for growth of startups should be done with pace.
- Uniform taxation laws for easing tax administration and transparency.
- Directional efforts to increase supportive government policies in terms of tax incentives and ease of doing business.

CONCLUSION

While there are various disruptions and challenges in startups but if all stakeholders handle properly it can boost entrepreneurship, innovation and job creation for economy in future. Startups create an environment for youth to enter in the field of entrepreneurship and become job creators and not job seeker. India with GDP growth of eight percent is giving signal to the world that emerging markets are willing to take lead in innovation and growth. It would be revolutionary with number of startups projected to be 11,500 in 2020 which is going to change the manner in which markets are working today. It would be like converting the dream and vision of our scientist president, APJ Abdul Kalam's into reality.

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