

Start-up Ecosystem in India

1) Introduction

- The Indian startup ecosystem has evolved dynamically over the last two decades.
- The Indian market offers many opportunities for startups and in turn, startups carry great hopes to promote growth and create employment.

2) Indian Startup Ecosystem

- India is home to the world's third largest startup ecosystem, having added over 1,300 tech startups in 2019
- India now hosts 24 unicorns—a term to describe startups valued at \$1 billion— the third-highest number of unicorns in a single country in the world.
- The volume of investments in startups also grew.
- Startups created 60,000 direct jobs in 2019 alone.
- The start-up landscape in the country is becoming the epitome of innovation, with companies bringing out solutions that are aimed at solving locally relevant issues.
- Startups can act as vehicles for socio-economic development and transformation.
- India has immense potential both in terms of technological innovation and implementation of business models.
- In light of the current economic environment, IPOs from India into the US could emerge over the next 12 to 18 months.

3) Opportunities and Growth Drivers

- India is one of the fastest-growing large economies in the world.
- Indian market is perceived as being capable of offering an abundance of opportunities for startups.
- Half of the country's population are below the age of 25 years and the youth is aspirational.
- Startups are expected to create jobs that will narrow the high unemployment rate in the country. In 2018, startups accounted for 2.64 percent of the total jobs created in India

4) Agri-tech Startup

- The Agri-tech segment is growing at a phenomenal rate of 25% year-on-year.
- Experts view the agri-tech innovation industry as the primary driver of agricultural economics by 2020.
- The need for technological innovation to find solutions to everyday problems is the need of the hour.
- Agri-tech startups have a vast scope to enhance livelihood opportunities in rural India.
- Intervention in sustainable agricultural processes will contribute tremendously to rural economic development and food security goals in the country.

5) Government Support

- Startup India was initiated in 2016 to build a strong ecosystem that is conducive for the growth of startup businesses.
- The Government provides financial support for incubators, establishment of tinkering labs, tax benefits, and a simplified recognition process for the setting-up of businesses

6) Challenges

- Many Indian founders have a technical background and lack business knowledge.

- Finding the right investor and raising funds is difficult
- Information gap exists between those who provide solutions and those who are supposed to use them.
- Startups are at a disadvantage compared to large companies in terms of market penetration.
- For many job-seekers, joining a startup as an employee is not an attractive career option, due to the inherent risk that the startup might fail.
- The present regulatory framework in which startups operate is widely seen as difficult, inefficient and unpredictable.
- The tax policy and its enforcement are considered unfriendly for startups.
- There is still a lack of clarity on how GST works and which items are applicable as tax base or not.
- Much criticism was directed towards “Angel Tax”.

7) Way Forward

- To simulate innovation, government and corporates must play the part of venture capitalists and provide the appropriate market access, funding, and guidance to start-ups
- Startups need to develop an in-depth understanding of the customers and their needs.
- Changes in the broader cultural milieu would be helpful to encourage people taking risks and possibly developing impactful solutions.
- Policy reforms improving general economic conditions as well as investments in digital and physical infrastructure benefit startups.
- Implementation of existing startup policies and removing inefficiencies within the bureaucracy is crucial to ease doing business for startups.
- It is imperative to channel investments in education to develop a broader talent pool.
- Successful entrepreneurs supporting younger startups, which is common in mature startup ecosystems, needs to further gather pace.