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## GOVERNMENT'S ROLE IN THE GROWTH AND PROSPECTS OF START-UP ECO-SYSTEMS IN INDIA.

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### *Abstract*

*India is a developing country. It is a second populous country in the world which creates more pressure for employment in the country. But due to government initiative many schemes and policies are launched day by day to make business-friendly environment. One of these programs is a start-up ecosystem. A start up ecosystem is formed by people, start-ups in their various stages and various types of organizations in a place interacting as a system to create and scale new start-up companies. The main motive of the start-up ecosystem is to carry out new ideas, inventions, research and innovations, a start up with a team member. It is intended to make a strong ecosystem that is convenient for the growth of start-up businesses to help in the development of sustainable economic growth and large-scale employment opportunities. The government through this initiative aims to allow start-ups to grow through innovation and design. There is a tendency of 3,100 new start-ups and more other 800 every year. India is a continent of its own as its 6 cities are trusting 90% of technology scene. India has been clear in creating a healthy start up ecosystem, and the growth in the number of start-ups is increasing very fastly. 72 % of the founders are less than 35 years of age. Even with the young entrepreneur, India ranks in the top five nations solving social issues with creative solutions. India is the third highest number of start-ups incubators and accelerators in the world, after China and US. The number of start-ups and incubators grew by 40 % in 2016 -17. The Indian government has floated at least 50 sector specific and sector agnostic schemes for start-ups, which include single point registration scheme, Bank credit facilitation scheme and Pradhan mantri mudra yojana. This paper mainly focussed on the growth and prospects of Start-up eco-systems in India.*

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**Keywords:** *Start-up ecosystem, Development, Invention, Technology scene.*

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### Introduction

Start-up ecosystem is developed by people, they startups in their various stages and various organisations in a location and interacting as a system to create and scale newstart-up companies. These organisations can be divided into various categories such as universities, funding organisations, support organisations, research organisations, services provider organizations etc. The main motive of the start-up ecosystem is to carry out new ideas, inventions, research and innovations, a start up with a team member. It is intended to make a strong ecosystem that is convenient for the growth of start-up businesses to help in the development of sustainable

economic growth and large-scale employment opportunities. The government through this initiative aims to allow start-ups to grow through innovation and design. There is a tendency of 3,100 new start-ups and more other 800 every year. India is a continent of its own as its 6 cities are trusting 90% of technology scene. India has been clear in creating a healthy start up ecosystem, and the growth in the number of start-ups is increasing very fastly. 72 % of the founders are less than 35 years of age. Even with the young entrepreneur, India ranks in the top five nations solving social issues with creative solutions. India is the third highest number of start-ups incubators and accelerators in the world, after China and US. The number of start-ups and incubators grew by 40 % in 2016 -17. The Indian government has floated at least 50 sector specific and sector agnostic schemes for start-ups, which include single point registration scheme, Bank credit facilitation scheme and Pradhan mantri mudra yojana. This paper mainly focussed on the growth and prospects of Start-up eco-systems in India.

### Objective:

1. The growth and prospects of start-up ecosystem in India.
2. The role of government in growth and prospects of start-up ecosystem in India.

### Why start up India?

The start-up India Campaign announced in January 2016. The programme is aimed at promoting bank financing for start-up ventures to boost entrepreneurship activities and to encourage job creation, establishments and reduces the role of state government in the policy formation. A company or unit will be considered be start start-ups if it is incorporated or registered in India not prior to five years with annual turnover not exceeding Rs 25 crore in any preceeding financial year. It should be working towards the growth and development, innovation ,deployment or commercialisation of new processes, products ,services driven by technology.

### Importance of Start-up in India.

Start -ups help in self -employability and for creating job opportunities for others as well. If a country has to boost its economy then majority of population has to take part in the country's economy mans have a job or business this will result in increased economic activities and money circulation and finally boosts the economy so successful start- up businesses helps in increasing job opportunities. Start- ups will create more jobs. Start-ups are likely to create as many as three lakh new employment opportunities in the next few years while 80 per cent of job-seekers are opting for such ventures which are already attracting funds from investors. According to HR experts, the start-ups employed about 50,000 to 60,000 people in the last year itself and the hiring outlook looks positive across sectors in the near term. Research conducted by HR consultants also showed that a vast majority of up to 80 per cent job aspirants prefer jobs at start-ups, as compared to already established companies.

### Start -ups are important for economic growth of a nation.

One of the main advantages of start- ups is that it creates new jobs. World data shows that start- ups are creating more jobs in our nation than the large companies. Start- ups have introduced latest technologies like internet, artificial intelligence and robotics etc. Most of the technology giant companies outsource their tasks to start-ups now days. It will also increase the cash flow of start ups. But every start- ups needs to deliver quality to their consumers in order to sustain their business. So the role of start -ups is important to our society to develop our nations .That means it is necessary to develop an entrepreneurship culture in our country for more start-ups. Setting up of small businesses by these young entrepreneurs is definitely going to boost the Indian

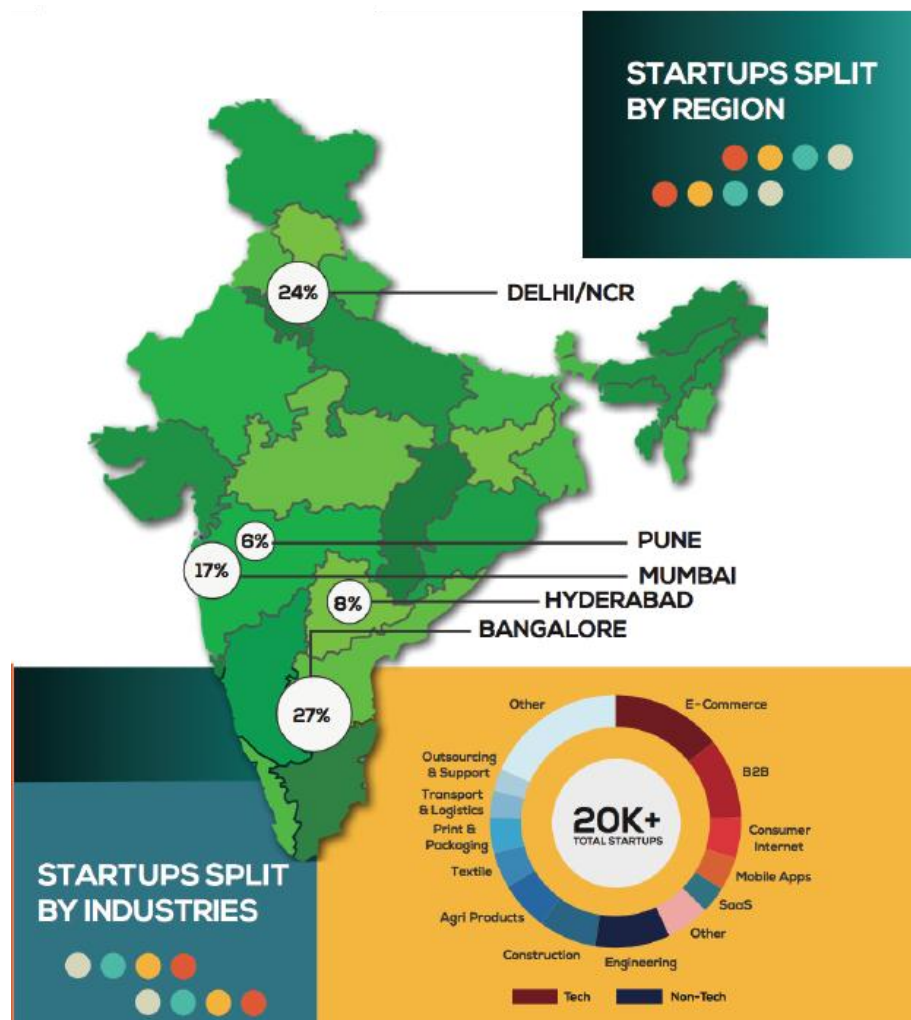


economy in the near future. India is a home for almost 3100 start-ups starting per year standing just behind US,UK and Israel according to the NASSCOM report of 2015. India is also said to enjoy demographic dividend and it is anticipated that by 2020 India will be a home to 112 million working population ages between 22 to 44 years. This demographic dividend will definitely boost the start-up culture in the country. Initially, India was considered as the market for providing cheap labour 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. Technical start-ups are leading the growth of start-up and it is ready to boost revenue generated by IT-BPM Security by almost 12-14 percent for the current fiscal year. Developed nations are now booking towards fast growing and emerging nations such as India to tap the huge untapped potential in these markets. In recent years, different countries are taking different initiatives to link up their businesses with the Indian start-ups. For example :Business council of India in united kingdom is hosting start-ups of India in U.K 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.

### Sector and location trends

Bangalore, Mumbai and NCR top start-up destinations with over 65% of the total Indian start-ups.

Bangalore has also been listed within the world's 20 leading start-up cities in the 2015 Start-up Genome Project ranking. It is also ranked as one of the world's five fastest growing start-up cities.



## India Start-ups starts mushrooming day by day.

With 3,100 start ups and 800 more every year this is the 4th largest country after the US and China. The positioning of India as a start -up country is also thought of in the light of other famous start-up scenes such as the US, Israel, Singapore. The growth of the scene should go as far as 2,000+ new start-ups created each year by 2020, and job creation from these entrepreneurs go from 65-75k as of today to 250-300k by 2020. Of course India is a continent of its own and some 6 cities are trusting 90% of the technology scene. Bangalore and the New Delhi area account for 28% and 24% of the start-ups in India from Mumbai to Hyderabad, Pune or Chennai.

## Who are the Indian startups and entrepreneurs?

The profile of entrepreneurs in India doesn't give too much surprise, with 32 years as an average age, only 6% women founders. Interestingly enough though the biggest chunk of startups in the country have a background in MNCs and Indian tech companies. Only 13% of start-up founders have no experience in the field before launching their venture. The ecosystem itself is supported by a growing number of funds, angels, and support organisations such as incubators, accelerators, event platforms and academic programs. Where it's possible to see a growth in terms of ecosystem is by the growth of the numbers of all these components as well as of the average size of deals. In India, the average investment in 2010 was \$4.2m it should reach more than \$11m for 2014. Investments are also spread across a wide range of stages from seed funding to growth stage.

## Start -up development phases

- Formation - is about inspiring and attracting new talent and providing access to entrepreneurial education, ideas and knowledge to help build the right mindset, understanding and abilities for the journey ahead, typical issues to avoid or solve, what steps to take in what order with support.
- Validation - is where the support focus shifts to initial product development, strengthening core team via mentoring or new team members, supporting team and product validation and customer development.
- At Growth - focus becomes mostly about additional resourcing, understanding growth KPI's, creating processes for scaling various business operations, improving financials and help expand business internationally.

## Increasing government support

The Indian government has floated at least 50+ sector specific and sector -agonistic schemes. Each start-up scheme is missioned towards boosting the Indian start-up Ecosystem. Now 4,400 technology start-ups exist in India and the number is expected to reach over 12,000 by 2020. India is also at third place behind US and Britain in terms of the number of start -ups. India has many start -ups like Flipcart, Snapdeal, Ola, InMobi, Hike, Musigma, Paytm, Zomato and Quikr which include single point registration scheme, Bank credit facilitation scheme, scale up support to establishing incubation centres, Pradhan Mantri Mudra Yojana etc. Start-ups are becoming very popular in India. The government under the leadership of PM Narendra Modi has started and promoted Start-up India. To promote growth and help Indian economy many benefits are being given to entrepreneurs establishing start-ups.



3. Simple process: Government of India has launched a mobile app and a website for easy registration for start-ups. Anyone interested in setting up a start-up can fill up a simple form on the website and upload certain documents. The entire process is completely online.
4. Reduction in cost: The government also provides lists of facilitators of patents and trademarks. They will provide high quality Intellectual Property Right Services including fast examination of patents at lower fees. The government will bear all facilitator fees and the startup will bear only the statutory fees. They will enjoy 80% reduction in cost of filing patents.
5. Easy access to Funds: A 10,000 crore rupees fund is set-up by government to provide funds to the start-ups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.
6. Tax holiday for 3 Years : Start-ups will be exempted from income tax for 3 years provided they get a certification from Inter-Ministerial Board (IMB).
7. Apply for tenders: Start-ups can apply for government tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.
8. R&D facilities: Seven new Research Parks will be set up to provide facilities to startups in the R&D sector
9. No time-consuming compliances: Various compliances have been simplified for start-ups to save time and money. Start-ups shall be allowed to self-certify compliance (through the Start-up mobile app) with 9 labour and 3 environment laws.
10. Tax saving for investors: People investing their capital gains in the venture funds setup by government will get exemption from capital gains. This will help start-ups to attract more investors.
11. Choose your investor: After this plan, the start-ups will have an option to choose between the VCs, giving them the liberty to choose their investors.
12. Easy exit: In case of exit – A start-up can close its business within 90 days from the date of application of winding up

Meet other entrepreneurs: Government has proposed to hold 2 start-up fests annually both nationally and internationally to enable the various stakeholders of a start-up to meet. This will provide huge networking opportunities. Start-ups are being highly encouraged by the government.

## Government Initiatives

Start-up Ecosystem facilitated through various government departments & programs

4000+ Start-ups have benefitted in the last year through various programs of the Central Govt.

960 crore of funding has been enabled to Start-ups through various schemes

828 Cr sanctioned funds for infrastructure

❖ Tax Exemptions



- ❖ IT exemptions for 3 years
- ❖ Capital gains exemption to people investing such capital gains in the Govt. recognized Fund of Funds
- ❖ Tax exemption on investments above Fair Market Value
- ❖ Legal Support in Patent Filing
- ❖ Fast track of Start-up Patent applications
- ❖ Easy Compliance: Self-certification and compliance of 9 environments and labour laws through Start-up India web portal/mobile app. Online self-certification for Labour
- ❖ Relaxed Norms for Public Procurement: By easing the requirement of prior experience and prior turnover in tenders for application by start-ups
- ❖ Fund of Funds:
- ❖ 10,000 Cr. Fund of Funds to be provided by Mar 2025 Avg ₹ 1,100 Cr. Per year

Credit Guarantee Scheme for Start-Ups, Corpus of ₹ 2,000 Cr across 3 years

Collateral Free, Fund & Non-Fund Based Credit Support, Loans of up to 5 Cr. per Start-up to be covered

Start-up Recognition, 6398 Applications received, 4127 start-ups recognized, 1900 start-ups eligible for tax exemption, 69 start-ups given tax exemption.

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