A Study on the Start-Up Ecosystem in India

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Abstract:- Startups in India have gained immense attention in the recent period especially since the Covid-19 pandemic hit the country. Today, India proudly ranks 3rd in the global start-up ecosystem worldwide which only looked as a far-fetched dream a few years back. Innovation in India has been at its peak yielding unicorns one after the other. Startups have got the much needed government support and mentoring which has given way to economic development, job creation, open innovation, easy availability of finance, changing perception towards entrepreneurs and penetration of technology. The main aim of this paper is to analyze the current framework of startup ecosystem in India and also emphasize on the drivers of growth, challenges, and the kind of support available to promote the startup culture. Sectors that require attention for the further growth of startup ecosystem in India have also been identified. The role of the Government of India as an enabler in promoting startups has been emphasized in this paper. The data included in the paper are all secondary in nature gathered from Government websites, renowned websites and journals among others. Relevant reviews of literature that support the reasons for growth of startups and discuss the challenges on the way have also been included.

Keywords:- India, startup, startup ecosystem, innovation, growth, unicorn start-ups.

I. INTRODUCTION

A start-up ecosystem can be described as a set of internal and external entrepreneurial factors, entrepreneurial organizations (such as firms, banks, venture capitalists, business angels etc.), institution including universities, financial institutions, public sector agencies and incubation centers and entrepreneurial processes that govern the local entrepreneurial environment. The Indian start-up ecosystem has evolved over the last two decades. In the 2000s, the ecosystem was still immature lacking active investors and support from Government. The last 10 years has seen a significant rise in the start-ups with support available from all dimensions. In India, Bangalore emerged as the hub for start-up followed by Mumbai and the National Capital Region (NCR) among other cities. B2B has been dominating the share of start-ups with a steady increase in the number of B2C start-ups indicating signs of maturity of the start-up ecosystem in India.

India's start-up ecosystem is churning one after another talented entrepreneurs while constantly contributing to the availability of digital skills in India. One can address 2021 as a remarkable year for the start-up ecosystem in India surpassing all projections be it in terms of the number of successful entrepreneurs or the funds raised. In fact, India boasts of having 43 unicorn start-ups only in 2021 adding to a total of 79 with the latest one being Pristyn Care. Not only this, unicorn companies have also gone public this year with Paytm leading as the country's largest IPO ever with an issue size of 18,300 crores followed by companies like Zomato, Nykaa, Policy Bazaar, PharmEasy, etc.

A. Definition of "Start-up"

According to the notification that the Government of India issued (19 February 2019, originally issued on 11 April 2018), when an enterprise meets the following conditions, it will treat it as a start-up:

- It has been incorporated/registered for not more than 10 years (previously seven years, except in the biotechnology sector according to the notification dated 11 April 2018) in any of the following forms:
  - ➢ A private limited company under the Companies Act, 2013 (including one-person companies);
  - ➢ A partnership firm under the Partnership Act, 1932;
  - ➢ A Limited Liability Partnership (LLP) under the LLP Act, 2008.
- Its turnover has not exceeded INR 100 crore (previously INR 25 crores) for any of the financial years since incorporation/registration.
- It is working toward the innovation, development, or improvement of products or processes or services or it is a scalable business model with high potential for employment generation and wealth creation.

B. Elements of the Start-up Ecosystem
Ideally the start-up ecosystem of any country comprises of the following elements:
- Ideas and innovation
- Entrepreneurs
- Team members
- Angel investors
- Start-up mentors
- Start-up advisors
- Office space and infrastructure

C. Stages of a Start-Up
Typically, the lifecycle of a start-up can be divided into 6 stages as discussed below:

- Stage 1: Idea or opportunity
  This is the stage where the entrepreneur discovers an idea or opportunity that he/ she wants to build into a start-up. This stage can last up to 6 months and involve conducting interviews regarding the viability of the product, team building, looking for finance from family and friends and bring mentors and advisors on board who can help in carrying on the further stages effectively.

- Stage 2: Validation
  At this stage, the entrepreneur seeks validation for the product and tries to find out how many people show interest in their product. In this stage, the product undergoes changes to suit the demand of consumers and the entrepreneur looks for seed funding.
- Stage 3: Preparations
  In this stage, the product is finalized and preparations focus on improving the business functions, competency of the product and persuasion techniques. This stage lasts up to 6 months.
- Stage 4: Scaling the process
  Once the preparations are in place, the next step is steering the growth through networking. This stage

also involves acquiring customers, establishing departments, employing staff and deciding the scale of operations.
- Stage 5: Profit Maximization
  In the profit maximization stage, the product has managed to secure a stable customer base and the start-up is making a favourable profit margin required to sustain and move forward to the renewal stage.
- Stage 6: Organization
  At this stage the start-up is fully grown and in a position to sustain itself. This is the stage where the entrepreneur has gained enough experience to start a new project and does not need to constantly supervise the existing one.
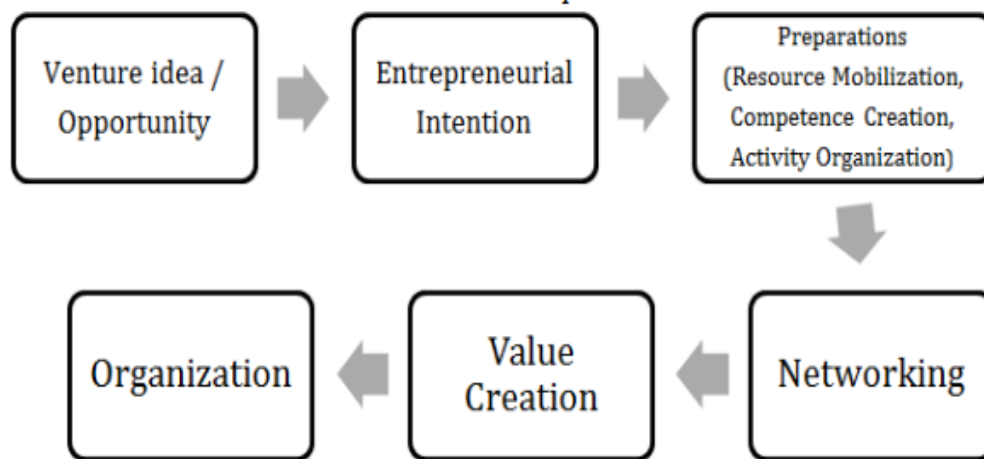

Fig. 1: Stages of a Start-Up

Source: Salamzadeh, A., & Kirby, D. A. (2017)

II. LITERATURE REVIEW

- **Sabrina Korreck (2019)** analyzed the current state of start-up ecosystem in India focusing on 3 major goals: providing an understanding of the drivers of growth and motivators of founders of start-ups in India; challenges faced by start-ups in India and pillars of support holding them in place.
- **NK Pandey (2018)** examines factors affecting the entrepreneurial ecosystem in the metropolitan cities of India and addresses how initial funding of a start-up is determined on the basis of education, gender and experience of the founder. From the study, a regression model has been developed for the funding of start-up which can help in improving the efficiency of the start-up ecosystem for entrepreneurs. The model also provides implications for entrepreneurs and policymakers.
- **SL Chaudhari, M Sinha (2021)** aims at exploring trends that drive the growth of the start-up ecosystem in India. The findings of this study include 10 major emerging trends driving growth of the Indian start-up ecosystem, pros and cons associated with it and areas where these trends can be leveraged to build a successful start-up are also identified.

- **N Tripathi, P Seppanen, G Boominathan, M Oivo, K Liukkunen (2019)** discusses how successful start-ups have the potential to create job opportunities and contribute to economic welfare of the society. The results of this study indicate that current knowledge on the start-up ecosystem is lacking in some parts and there is need for a more systematic and empirical literature on the topic.
- **S Singh, A Chauhan, S Dhir (2019)** studied the use of Twitter analytics for analyzing the Indian start-up ecosystem. The study revealed that Indian start-ups are inclined towards digital technologies, people, planet and profit where resource and information availability are major factors in determining success. The emotions of tweets were categorized as positive, neutral and negative and indicated that the Indian start-up ecosystem had more positive sentiments than negative. Finally, the study concluded with the finding that the future of Indian start-up ecosystem is Digital India.
- **Choudhary, AK, Kumar (2021)** studies how Indian higher education is responsible for ignoring the potential of entrepreneurship which could certainly be used to provide an opportunity to explore entrepreneurship. Existing studies have been used as a basis for analysing the role of teacher and ecosystem in promoting entrepreneurship. The findings of this study suggest that a holistic assessment pattern and incentive for teachers is

required to ensure that the Indian higher education system serves as a fertile ground for growth of innovation driven entrepreneurship. It also reveals that entrepreneurship is the key that can transform India into a developed economy over time.

- **Rehman and Elahi, (2012)** discusses benefits of entrepreneurship to the society and the economy as a whole. It reveals that entrepreneurship helps in avoiding monopolies and cartels and is also effective in keeping a check on large corporations and MNCs and preventing exploitation of consumers.

- **Aleisa (2013)** states that start-up ecosystems have the ability to innovate, build exceptional companies, create jobs and open businesses. Success of entrepreneurs depends on 3 factors that include economy, sociology and geography. Further it finds that Government regulations in terms of tax, support, funding, incentives, education and training helps in building an ecosystem for start-ups along with the presence of entrepreneurs and investors. For an ecosystem to be effective, the Government needs to address the needs of entrepreneurs.

- **Bala Subrahmanya MH, 2017** discusses that the goal of any start-up is to develop a self-sustaining network of talent and resources to solve issues affecting the overall entrepreneurial community. There is a need for some critical component such as entrepreneurs with technical know-how, availability of a variety of sources of funding and a favourable regulatory system from the Government to determine success of the upcoming as well as existing start-ups.

- **Butler (2017)** emphasizes that among 4000 successful entrepreneurs, the most distinct character traits were ability to strive in uncertain times, a passionate desire to author and own project and unique persuasion skills. These characteristics are particularly found in individuals in their early 20s although the ideal age of a start-up founder is between 30 and 50 according to many researchers.

- **Semerci (2016)** discusses that the job of an entrepreneur is quite stressful as they are compelled to work in challenging situations with the pressure of critical decision making which will one day eventually affect the mental or physical health of the entrepreneur. Therefore, the entrepreneur must possess high tolerance for stress.

III. OPPORTUNITIES AND GROWTH DRIVERS OF THE INDIAN STARTUP ECOSYSTEM

There are many growth drivers of the Indian start-up ecosystem. This chapter discusses the opportunities for start-ups in India:

A. Technological Change

India is a country that has been struggling with resource constraints which is why there is a need for cost effective, high impact solutions that benefit a large population. Technology start-ups have the potential of bringing this change. The penetration of digital products in the market is much better with increased access to consumer markets. The market accessibility barriers have been significantly brought down with the improvement of digital connectivity. The technological change has facilitated low infrastructure cost

because of which small companies have been able to enter the market in industries that required large investment to set up physical infrastructure for customer interaction leading to high customer acquisition costs.

Market access is the most important element for start-ups followed by the ability to identify and track down customers. With the increasing use of digital payments, it has become essential for companies to verify the identity of the customer. Validation of customer identity has been made easier since the introduction of the Aadhaar Biometric ID system in 2009. Support from the government has equipped a large part of the population to conduct digital payments and also be a part of the Government's subsidy programs. Due to various reasons including demonetisation in 2016 and increased financial inclusion, fintech start-ups have boomed in the recent years. This brings us to our next point of discussion that is government support.

B. Government Support

The Modi government that came into power in 2014 put digitalisation at the centre of its plans. Start-ups have got the recognition and support from the federal and state governments as engines for economic growth. Start-ups also contribute positively by narrowing down unemployment rates and creating jobs.

Some highlights of the government support to start-ups in India are as follows:

- Around INR 2.8 billion has been allocated to the Start-up India Scheme.
- Investment worth INR 2 billion has been made to the Atal Innovation Mission.
- An allocation of INR 7.2 billion has been made to more than 70 technology business incubators for the development of innovation and technology.
- A total sum of INR 878 million has been reserved to boost the development of entrepreneurship scheme in the country.

Schemes that accelerate the start-up revolution in India are discussed in detail below:

a) Start-Up India

Prime Minister Narendra Modi announced the Start-Up India scheme during his address on 15 August 2015 from the Red Fort, New Delhi. The main object of this initiative was to provide support to people who have ideas and capabilities and wish to grow it into a start-up. This scheme brought enthusiasm as well as opened doors to immense possibilities which will help India in becoming a better economy and a strong country.

Within a year from the launch of this initiative, India became the third country with the highest number of start-ups standing at 4,600. The efforts of the State Governments are very important for making this scheme a success. With the continuous and sincere efforts, Bangalore and Delhi have been able to establish themselves at the start-up hubs in India. The start-up ecosystem in India is being pushed for

several reasons which include its potential to create employment, the young demographic profile of India, the market potential of rural India, monetary benefits, boost to the country's GDP and economic development.

The Start-up India scheme has been launched keeping in mind the following objectives that will effectively help in simplification of the process of setting up a start-up and increase the ease of doing business:

- Compliance based on self-certification
- Easy availability of legal support
- Affordable patent examination
- Credit guarantee for start-ups
- Tax exemption on capital gains
- Opportunity to showcase innovation through start-up fests
- Providing a platform for collaboration
- Atal Innovation Mission (AIM) with Self-Employment Talent Utilization (SETU) program.

b) Micro, Small and Medium Enterprises (MSMEs)
Start-ups easily penetrate in the local area and provide large employment at a low cost of capital and so small-scale industries are an important building block in the economic development of India. It is important for reducing regional imbalances by inducing opportunities for industrialization of rural and backward regions which in turn ensures more equitable distribution of the national income and wealth. This is one of the main reasons why small-scale industries have been a part of the industrial policies in India.

The Ministry of Small Scale Industries and Ministry of Agro and Rural Industries merged together in May 2007 to form the Ministry of Micro, Small and Medium Enterprises (MSMEs). The ministry creates an ecosystem with policies, projects and schemes that foster MSMEs with the help and support of state governments. Under the MSMEs, the National Small Industries Corporation Limited (NSIC) has set up 6 business incubators under the "Scheme for Promotion of Innovation, Entrepreneurship & Agro Industry" (ASPIRE) which facilitate hands-on training and education. It also provides support and encourages prospective entrepreneurs and start-up companies to start manufacturing products.

Enterprise	Manufacturing Sector (classified on the basis of investment in plant and machinery)	Service Sector (Classified on the basis of investment in equipment)	New Classification Criteria proposed on the basis of annual turnover
Micro	Not more than INR 25 lakh	Not more than INR 10 lakh	Not more than INR 5 crore
Small	INR 25 lakh to INR 5 crore	INR 10 lakh to INR 2 crore	INR 5 crore to INR 75 crore
Medium	INR 5 crore to INR 10 crore	INR 2 crore to INR 5 crore	INR 75 crore to INR 250 crore

Table 1: Classification of MSMEs

Source: DCMSME (2018)

c) Make in India Program
The Government of India launched "Make in India" program in 2014 with the main objectives as:
- Inspire a sense of confidence in India capabilities and reflect it among citizens, the Indian business community and potential partners abroad.
- Provide a framework for technical information on 25 industry sectors.
- Reach out to a vast local and global audience through social media and keeping them updated with opportunities, reforms, etc.

The Department for Promotion of Industry and Internal Trade (DPIIT) is a pivotal point to run this program. A dedicated investor facilitation cell (IFC) assists investors in seeking regulatory approval and provide support and services throughout the pre-investment stage, execution and after-care support. This program has positively impacted the perception of foreign investors which has been clearly reflected through the Ease of Doing Business index over the years. The government launched the Standup India scheme with the objective of supporting disadvantaged groups particularly the scheduled castes/tribes (SC/ST) and female entrepreneurs with bank loans from INR1 lakh to INR 1 crore for setting up a start-up which was known as greenfield enterprise. This Standup India scheme followed by the Start-up India and Make in India initiative boosted the start-up ecosystem in India.

d) Digital India Program
The Digital India program is an umbrella program launched by the Government of India in 2015 involving various ministries and departments of the Government. This program aimed at realising the potential of digitalization in all spheres of life. The Ministry of Electronics and Information Technology coordinates this program. Start-ups are seen to have a natural home in the digital sector and therefore this initiative has been successful in complementing the start-up revolution. Nine growth areas have been recognized by this program including:
- Universal Access to Mobile Connectivity
- Broadband Highways
- Public Internet Access Program
- Reforming Government through Technology

- e-Governance: e-Kranti—Electronic Delivery of Services
- Electronics Manufacturing
- Information for All
- IT for Jobs
- Early Harvest

e) Skill India Program

If the youth of the country is not skilful enough, the demographic plus point of India will turn into a negative point. Keeping this in mind, the Government of India formed a ministry which came to be known as Ministry for Skill Development and Entrepreneurship (MSDE) in July 2015 to enhance employability of the youth by skill development. Under the guidance of the Ministry for Skill Development and Entrepreneurship (MSDE), the National Skill Development Corporation (NSDC) introduced the Skill India initiative that allows aspirants to register for skill training and employment using the online portal. The Skill India Mission created sector skill councils (SSC) to be monitored by the National Skill Development Corporation. 40 sectors have been identified on the basis of skill gap analysis some of which include food industry, healthcare, and banking and finance and so on. The standards of the industry are met by the courses recognized by the National Skill Qualification Framework. The focus of these courses is on the practical delivery of work and to create skilled resources who can be employed by start-ups in the different sectors.

f) National Schemes

The kick-start from the Prime Minister himself has inspired various ministries and departments of the Government of India to complement the start-up revolution by introducing more than a hundred schemes. With the help of these schemes, entrepreneurs will be able to measure the scalability of their start-up ideas. The initiatives by the Government of India show the preparation of the central government to make the Start-up India Revolution a success. However, the overall success of start-up India is only possible if the state governments are effectively able to adapt the schemes enthusiastically. Some of these schemes are The Ministry of Electronics and Information Technology—Support for International Patent Protection in Electronics and Information Technology (SIP-EIT), The Khadi and Village Industries Commission under the Ministry of MSME— Scheme of Funds for Regeneration of Traditional Industries (SFURTI), The National Minorities Development and Finance Corporation (NMDFC)—Virasat—A Credit Scheme for Craft persons, etc.

g) MUDRA Loans

The Government of India has established the Micro-Units Development and Refinance Agency (MUDRA) with the objective to provide business finance to micro-business units such as start-ups. To be eligible for this loan, micro or small businesses including start-ups must be operating in the manufacturing, trading or service sectors and fall under one of the following categories:

- Sishu or infant, eligible for loans up to INR 50,000
- Kishor or adolescent, eligible for loans up to INR 5 lakhs
- Tarun or young, eligible for loans up to INR 10 lakhs

h) International Linkages

India has also been successful in establishing global partnerships to facilitate joint innovation which is referred to as "international bridges". Some of the successful partnerships have been established with Finland, Netherlands, United Kingdom, United States, the Russian Federation, Portugal, Sweden, Israel, Singapore, and Republic of Korea among others. The State Bank of India and Mahindra are mentors of the start-up grand challenge that will help in channelizing the entrepreneurial capacity between India and Korean start-ups to work together and build solutions for challenges faced by the world including Credit Rating, Predictive Analysis, Fraud Detection, Cyber Security, Primary/ Secondary/ Tertiary Healthcare.

C. Increasing Need to Engage in Open Innovation

Large and well-established companies feel the need to innovate now and then to keep their hold on the fast-changing business environment. The challenge for large companies is two-fold. They need to innovate at a steady pace to meet the needs of consumers in the market while maintaining and adapting with the changes in the existing industry with the provision to make innovations. Another problem faced by existing companies is that they cannot simply build everything themselves therefore the need to engage in open innovation arises. This is why existing large companies in India are turning to start-ups to increase their own innovativeness. By collaborating with existing companies, start-ups are able to get hold of various corporate specific resources in exchange for their innovation. There has been a significant change in the attitude and perceptions of corporate managers in the last few years as well-established companies today recognize the benefits of working in partnership with start-ups in terms of pace and passion.

D. Changing Perception towards Entrepreneurs

Start-up founders in India are driven by passion, curiosity and motivation to achieve. Their desire to make a difference, willingness to take risk, put ideas to practice, seize opportunities and satisfaction that comes from solving problems is what makes them successful entrepreneurs. Founders of Indian companies have experience of previously working in a corporate setting and despite the stability and high salary they see their jobs as a block to

their creativity. They are looking to create something of their own and control it.

From the society's point of view, there has been a change in perception towards entrepreneurs. The stories of success of these entrepreneurs who made remarkable exits and India's first unicorns have been in the talks for quite a while. These founders have come to be known as India's "start-up heroes" and also contributed to the popularity of the hustle culture and the image of an entrepreneur being tagged as "glamorous", "creative", "independent" and "cool".

IV. CHALLENGES FOR STARTUPS IN INDIA

Not everything about being a start-up founder is as fancy as it may seem. There are a number of risks and challenges that start-ups in India face. These are discussed as follows:

A. Building a Start-up

Building a start-up is an intimidating process and requires dedication to hire and manage a team, deal with customers and develop a marketing strategy. Indian founders come from a technical background and lack deep knowledge and understanding of business. The mindset of the youth is to look for fixed-tenure jobs than take the risk of being an entrepreneur which must be changed by focusing on developing the culture of entrepreneurship. The culture of start-ups needs to be developed and sustained to receive desired growth of start-ups and benefit from its contribution.

Another constraint is managing the working capital requirements of the business. In the early stages, the founder is bootstrapped as the start-up is mostly self-funded with the help of investment from friends and family. Some start-ups may find customers in the initial stages which may be enough to sustain and grow the business gradually. Hence, not all start-ups may need external investment so many of them may have a difficult time in raising funds and finding the right investor.

B. Information Gap

A digital divide exists between product or service providers and those who are supposed to use the product or service. The aim of start-ups should be to bridge this information gap and understand the customers need. Since India is a diverse country in terms of culture, language, religion and ethnicity, start-ups tend to be limited to the local region with which they are acquainted and where they can find local support easily. This implies that building a pan-India start-up is more of a difficult task because information about customers in other regions is quite limited. This challenge is further aggravated because of the founder and customers do not have a direct link. Start-up founders are well-educated and come from metropolitan cities compared to this nearly 70% of India's population lives in rural areas and customers do not necessarily come from well-off backgrounds, many customers belong to the low-income groups. Because the founder and customers come from different living environments, often start-ups end up with lack of knowledge and understanding of their customer's needs.

C. Introducing the Product to the Market

The problem is further deepened when it's time to introduce the product in the market because the level of penetration in the Indian market is difficult. The landscape of the Indian market is quite competitive with many existing firms and new firms entering the market. Start-ups are always at a disadvantage because of the existing large companies. Large companies are more capable of dealing with the bureaucratic regulations which gives them an upper hand over start-ups. Even the Government prefers to sign contracts with well-established companies. It is a common tendency of customers to prefer start-ups if they are being promoted by large companies as partners in open initiative projects. If the start-ups products have been designed to cater to a new market segment, it takes a lot of time and effort to convince Indian customers.

D. Price Sensitivity of Consumers

Start-ups find it difficult to convince consumers to pay as the Indian market is full of customers with low willingness to pay. Though the income of Indian households is increasing, the customer base is still price-sensitive and expects discounts or prefers to buy cheaper alternatives produced by China. Therefore, start-ups have to think through the costs and come up with affordable products to cater to the customer base which often means compromising the quality. This is the reason some start-ups are volume-driven offering marginal returns. Another price-related issue is the collection of payment from customers especially for start-ups who do not accept digital payments.

E. Hiring Employees

Hiring employees is also a big task for start-ups. It is a mentality of job seekers to not join a start-up as an employee due to the risk of failure. The priority of job seekers is to work at large corporations that promise stable jobs. Another setback for start-ups is that they are not able to compete with the reputation and salary structure of large companies. Freshers who join start-ups to gain experience also shift to large and well-established companies after few years. The similar phenomenon in the opposite direction is a rare event as workers of large corporations rarely shift to a start-up.

Secondly, applicants seeking job at start-ups are not as qualified or experienced as required to take the business to new heights. There is a gap in knowledge between what is taught to students and what is required to run a successful organization. Freshers also lack industry knowledge which is another disadvantage of hiring fresh graduates. The training of new employees in a start-up adds a significant cost and also consumes a lot of time. Even among fresh graduates, the ones that are highly qualified move abroad to find jobs with higher salary potential. On the other hand, Indian start-ups have not yet developed the potential to attract talent from abroad. Reasons why Indian start-ups fail to attract international talent include the visa requirements as well as bureaucracy. Moreover, expatriates prefer to work in countries like Singapore because of higher pay and the standard of living.

F. Complexity of the Regulatory Framework

India ranks on the 63rd position out of 190 countries ranked in the World Bank Ease of Doing Business index. The country's rank has improved by 14 places in 2019 but it still has a long way to go. The World Bank ranks countries against each other based on the regulatory environment of the country and how helpful it is to conduct business operations with ease as well as stronger protection of property rights. Even after the introduction of a number of policies to ease the process of setting a start-up, India is still considered to have a complex regulatory framework that hinders the growth start-ups. The bureaucratic process is where the Indian regulatory framework makes it difficult and unpredictable for start-ups to operate. The length of the process is uncertain and cannot be determined while start-ups already face the challenge of sudden changes in the regulations without prior information leading to frustrations and a waste of time and efforts or even a complete collapse of the business model.

Another complexity of the regulatory framework is related to the legal processes of incorporating and registering the start-up. The process is still quite lengthy and costly even while the Government has taken measures to hasten the process. There are several approvals required before a start-up can be incorporated and even after the legal process is completed, a formal registration process must be followed to avail tax benefits. Even if a start-up fails, the process to shut down the business is more difficult than setting it up.

The tax policy in India is also considered unfriendly especially after the introduction of Goods and Services Tax (GST) in July 2017. Start-ups face a lack of clarity regarding which items are taxable and how it works. The liquidity of the start-up is at risk if the customer fails to make payment of time because whether or not the business generates revenue, start-ups are required to pay taxes regularly or suffer huge penalties.

Indicators	Rank in 2019	Rank in 2018
Starting a business	137	156
Getting credit	22	29
Trading across borders	80	146
Dealing with construction permits	52	181
Protecting minority investors	7	4
Getting electricity	24	29
Enforcing contracts	163	164
Paying taxes	121	119
Resolving insolvency	108	103

Table 2: Growth of India on the Ease of Doing Business Index

Source: Doingbusiness.org

G. Gender Bias in the Start-up Ecosystem

Women in India occupy nearly 30% of the senior management positions which is significantly higher than the global average of 24%. But when we talk about women entrepreneurs there are only 14% which is even lower in terms of start-ups i.e. nearly 10%. Women entrepreneurship is seen as an essential ingredient to improve the national GDP. Clearly, India is seen as a male-dominated society where women are considered suitable for managing the household but incapable of undertaking business activities involving risk. This mentality has been the reason for hindrance in the growth of women entrepreneurs in India. Even in a team working on a business project, women have to prove their capabilities time and again for men to accept them as equals in the team. Family's responsibilities and managing household chores are imposed on women which is why many women with potential give up on the dream to become entrepreneurs.

A major problem faced by women start-up founders is finance. If we talk about support from the family and society, male entrepreneurs are encouraged more while women are held back from starting a new venture. Women entrepreneurs are as effective and efficient as male entrepreneurs. It is the society's ideology that lacks confidence in women. Entrepreneurial ventures of women should be encouraged as much as men to help the society accept women as "entrepreneurs". The Government has also introduced schemes and incentives to help in the promotion and development of start-up ideas among citizens. There is a need for initiatives that support women entrepreneurs until there is no more need to differentiate between entrepreneurs on the basis of gender. State governments have introduced some schemes such as MSMEs and Trade Related Entrepreneurship Assistance and Development (TREAD) to provide women with training, information and counselling with grants on entrepreneurship.

Five-Year Plan	Gender Component
8th Plan (1992-1997)	It is essential to prioritize financial resources for women to advance gender equality and women empowerment.
9th Plan (1997-2002)	Women's Component Plan (WCP) was introduced at the Central and State level wherein at least 30% of the funds flow to women's programmes.
10th Plan (2002-2007)	Gender Budget Statement marked the official adoption and institutionalization of gender budgeting by Government of India in 2005-06.
11th Plan (2007-2012)	This plan recognized gender budgeting as an important strategy for gender equality with focus on institutionalising GB at the central and state level.
12th Plan (2012-2017)	The need for greater inputs to institutionalise gender budgeting and the need for gender audit was highlighted.
NITI Aayog Three Year Action Agenda (2018-2020)	This plan highlights that the objective of gender budgeting is to make the entire budgetary process more responsible to gender challenges by focusing on gender disaggregated data, integrating gender budgets with outcome budgets and impact evaluation.

Table 3: Gender Component in Five-Year Plans

V. STATE OF THE INDIAN STARTUP ECOSYSTEM

The progress of the start-up ecosystem has undoubtedly been remarkable after the launch of Start-up Action Plan by the Government of India. Entrepreneurs have received the much needed support and encouragement to embark on their journey as start-up founders. The data from post SAP in India is very encouraging and speaks for itself. India is the third largest start-up ecosystem worldwide. A self-explanatory table showing the data of start-ups recognized by Department for Promotion of Industry and Internal Trade between 2016 and 2021 is given below:

States with Start-up Policy	2016	2017	2018	2019	2020	2021
Andaman and Nicobar	0	1	2	5	12	16
Andhra Pradesh	4	103	162	140	478	717
Assam	10	35	68	57	197	324
Bihar	1	48	149	15	374	693
Chhattisgarh	11	57	121	143	377	528
Goa	2	20	44	32	113	184
Gujarat	29	298	452	518	1555	2586
Haryana	28	271	487	591	1635	2475
Himachal Pradesh	0	9	17	25	64	104
Jharkhand	2	35	88	80	235	407
Karnataka	67	886	1,213	1,374	4206	5979
Kerala	24	172	332	563	1292	2040
Madhya Pradesh	7	107	297	272	815	1258
Maharashtra	93	1,104	1,661	1,778	5477	8327
Manipur	0	4	7	4	19	41
Nagaland	1	4	2	2	10	16
Odisha	4	115	168	142	520	810
Punjab	7	31	70	81	223	390
Rajasthan	14	140	246	300	823	1314
Tamil Nadu	54	271	459	489	1509	2329
Telangana	20	328	511	492	1609	2456
Uttar Pradesh	29	413	791	709	2342	3857
Uttarakhand	4	45	69	84	231	353
West Bengal	8	181	275	255	839	1344

Table 4: Comparison of State-Wise Number of Start-ups Recognized by DPIIT 2016-2021

Source: DPIIT

Start-up India is a flagship initiative of the Government of India launched on 16th January 2016. The initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of start-ups. A total of 44,534 start-ups have been recognized by DPIIT as on 24th February 2021 from the launch of Start-up India initiative.

The vision of "Start-up India" can be achieved together by the efforts of all stakeholders' including start-ups, investors and the Government. The RBI Committee on MSMEs found that the reason for start-ups migrating to other countries is better enabling environment, tax concessions, exit policy, ease of doing business and well-developed infrastructure.
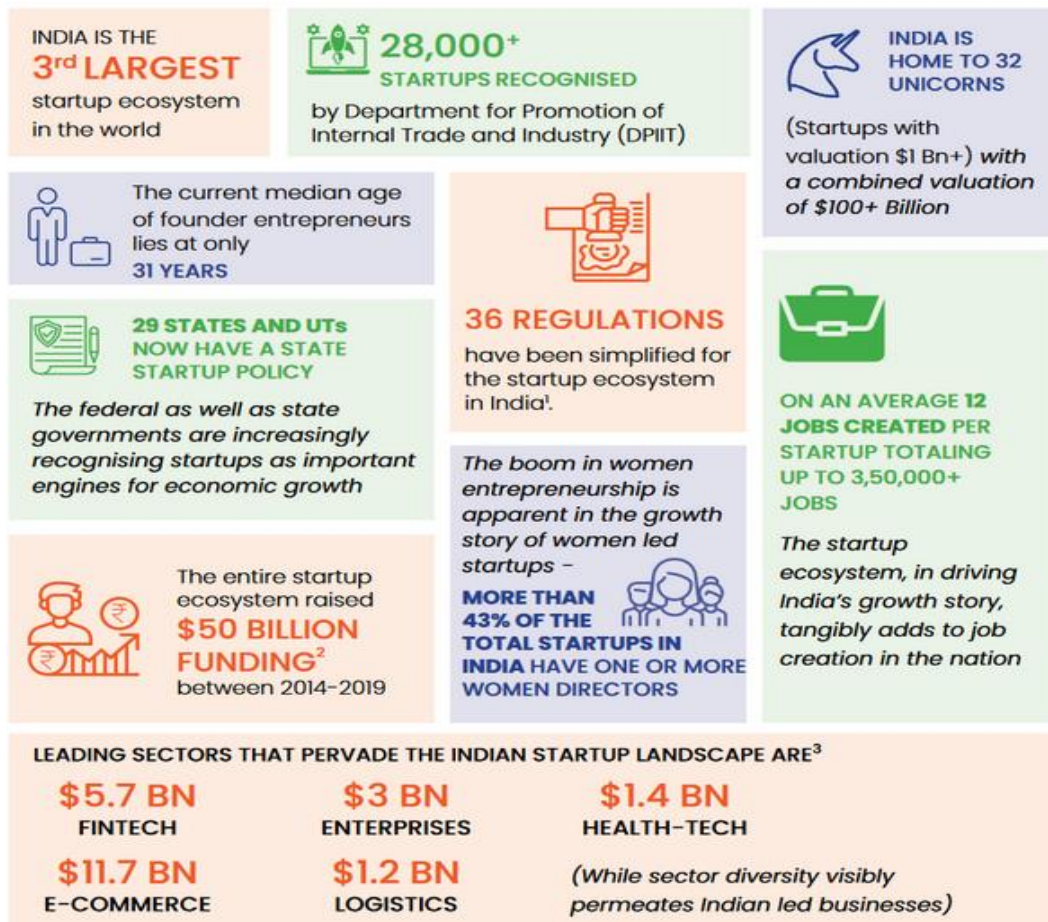
Fig. 2: Start-up Landscape in India

Source: Drishti IAS

VI. CONCLUSION

The launch of the Start-up India initiative has led to the spread of start-ups across 623 districts. Now, each state and union territory has at least one start-up and states have also announced Start-up Policies specific to their state. In the current scenario, Maharashtra, Karnataka, Delhi, Uttar Pradesh and Gujarat have the highest number of start-ups. When the Start-up India initiative was launched it took 808 days to add 10,000 start-ups whereas the latest 10,000 start-ups were added in merely 180 days. The graph of start-ups has increased exponentially as 743 start-ups were recognized in 2016-17 which was the launch year of the initiative and 16,000 start-ups were recognized in 2020-21. Entrepreneurs also have access to benefits from various laws, regulations, fiscal and infrastructure support.

With an average of 11 employees per start-up, around 549,842 jobs have been reported by 48,093 start-ups of which 1.7 lakh jobs were created in 2020-21 alone. The sectors with maximum registered start-ups were 'Food Processing', 'Product Development', 'Application Development', 'IT Consulting' and 'Business Support Services'. Another remarkable development of the start-up ecosystem in India is that nearly 45% had a women entrepreneur in the leadership team which means India is overcoming a major challenge by inspiring more women entrepreneurs to turn their ideas into start-ups. Two major

recently launched schemes namely Fund of Funds Scheme and Start-up India Seed Fund Scheme have an outlay of INR 10,000 crore and INR 945 crores respectively, enhancing funding opportunities for start-ups. Multiple programs implemented by the DPIIT have offered the opportunity to engage with partners and get recognized for their contribution. These programs include National Start-up Awards, State Ranking Framework, Prarambh: Start-up India International Summit, Global VC Summit, etc.

With a robust start-up ecosystem, India will not only be able to boost the economy but also contribute to sustainable development goals (SDGs) specifically SDG 8 which is related to economic growth and decent work. It is remarkable that new start-ups entering the market this year have turned Covid-19 from crisis to opportunity. In fact, 2021 has been the most successful year for start-ups in India with as many as 33 start-ups entering the unicorn club. Experts believe this momentum shall continue in 2022 as India is eyeing to add at least 75 start-ups in the unicorn list. Even while the whole world has been facing the pandemic and its successive waves, India has managed to make it into the top 50 in the global innovation index rising from the 76th place in 2014 to the 46th place in 2021.

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