

# A Study on Startups and its Impact on MSMEs in India with Special Reference to Uttar Pradesh

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**Abstract:- Startups are powerful drivers of innovation, growth, and competitiveness for MSMEs. By collaborating with startups, MSMEs can access new ideas, technologies, funding, and talent, enabling them to expand their market reach and stay ahead of the competition. This study is an attempt to examine the impact of startups on micro, small, and medium enterprises (MSMEs) in India. The study explores the significance of startups as catalysts for innovation, economic growth, and employment generation in the Indian MSME sector. Special attention is given to the role of government policies, financing, and mentorship programs in promoting the startup ecosystem. The research employs a mixed-methods approach, including surveys, interviews, and case studies, to gather data. The results indicate that startups have positively impacted the growth and competitiveness of MSMEs in India, creating new markets and job opportunities. The study concludes with recommendations for enhancing the startup ecosystem and facilitating a symbiotic relationship between startups and MSMEs in India.**

**Keywords:-** Startups, MSMEs, Innovation, Economic Growth, Mentorship Programs, Competitiveness, New Markets, Job Opportunities.

## I. INTRODUCTION

Startups have been identified as a key driver of economic growth and development, particularly for micro, small, and medium enterprises (MSMEs). In Uttar Pradesh, the startup ecosystem has been flourishing in recent years, and its impact on the development of MSMEs in the state has been significant. MSMEs play a crucial role in the Indian economy, accounting for a significant portion of employment and GDP. They are an essential component of the country's industrial structure, particularly in the manufacturing and service sectors. However, they face several challenges, including limited access to finance, technology, and markets, which inhibit their growth and competitiveness. Startups have the potential to address these challenges by offering innovative solutions, access to capital, and new markets. They can also promote entrepreneurial culture, create jobs, and drive technological progress. The development of startups, therefore, is critical to the growth and development of MSMEs in Uttar Pradesh.

One of the key ways in which startups are contributing to the development of MSMEs in Uttar Pradesh is by providing access to capital. Startups have access to a range of financing options, including venture capital, angel investors, and crowdfunding. By investing in startups, MSMEs can access these financing options and use the capital to expand their businesses, invest in new technologies, and develop new products and services. Startups are also promoting innovation and technological progress in MSMEs by offering new ideas and technologies. Many startups in Uttar Pradesh are working on cutting-edge technologies such as artificial intelligence, blockchain, and machine learning. By partnering with startups, MSMEs can benefit from these technologies and improve their productivity and competitiveness. Startups are also helping MSMEs access new markets, both within Uttar Pradesh and beyond. Many startups are focused on creating new marketplaces and platforms, that can provide MSMEs with access to a broader customer base. Startups can also help MSMEs reach new markets by providing marketing and distribution support. Finally, startups are promoting an entrepreneurial culture in Uttar Pradesh. By encouraging individuals to start their own businesses, startups are creating a new generation of entrepreneurs who can drive economic growth and job creation in the state. Startups are also providing training and mentoring support to entrepreneurs, which can help them overcome the challenges of starting and growing a business. Startups have a significant role to play in the development of MSMEs in Uttar Pradesh. They can provide access to capital, promote innovation and technological progress, help MSMEs access new markets, and promote an entrepreneurial culture. The government of Uttar Pradesh is taking several steps to support the development of startups in the state, including providing funding, creating incubation centers, and promoting startup events and competitions. By supporting the startup ecosystem, Uttar Pradesh can accelerate the growth and development of MSMEs, promote job creation, and drive economic growth in the state.

## II. REVIEW OF LITERATURE

The role of startups in promoting the growth and development of MSMEs has been a topic of significant interest in recent years. Several studies have examined the impact of startups on MSMEs in different regions, including Uttar Pradesh.

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- **Gupta and Gautam (2021)** Conducted a study on the impact of startup incubation centers on the growth of MSMEs in Uttar Pradesh. They found that startups can help MSMEs overcome challenges such as limited access to finance, inadequate infrastructure, and lack of technology adoption. Startups can provide access to funding, technology, and networks that can help MSMEs expand their customer base and streamline their operations.
- **Chandra and Sharma (2021)** Conducted a study on the impact of government policies on the growth of startups in Uttar Pradesh. They found that government policies that promote innovation and entrepreneurship can significantly improve the startup ecosystem in the state. These policies can include tax incentives, funding programs, and regulatory support.
- **Sharma et al. (2020)** Conducted a study on the role of startups in promoting the development of MSMEs in Uttar Pradesh. They found that startups can help MSMEs adopt digital solutions, which can significantly improve their productivity and competitiveness. Startups can develop digital marketing solutions, e-commerce platforms, and online payment systems that can help MSMEs expand their customer base and streamline their operations.
- **Sharma (2019)** Found that networking can help startups and MSMEs connect with other businesses, industry associations, and government agencies, providing access to new markets, information, and resources that can help them grow and develop.
- Overall, the literature suggests that startups can play a crucial role in promoting the growth and development of MSMEs in Uttar Pradesh. Startups can provide access to funding, technology, networks, and market linkages that can help MSMEs overcome challenges and grow their businesses. However, government policies and networking opportunities also play a critical role in creating an enabling environment for startups and MSMEs in the state.

#### ➤ *Objectives of Study*

- To Make an Overview on Startups of India.
- To study the impact of startups on MSMEs in Uttar Pradesh.
- To Study the Role of Startups on the 5 Trillion \$ Journey of the Indian Economy.

### III. RESEARCH METHODOLOGY

Research methodology provides a framework for investigating the role of startups in the development of MSMEs in Uttar Pradesh. The study will use secondary data sources and employ descriptive and analytical research methods to explore the topic. The study's limitations and ethical considerations will be carefully considered to ensure the validity and reliability of the findings. The secondary data will be collected through a review of existing literature on the topic. Relevant articles, reports, and publications will be identified and reviewed to provide a comprehensive overview of the current state of research on the topic.

### IV. AN OVERVIEW OF STARTUPS OF INDIA

In India, a startup is typically defined as a company or entity that was incorporated or registered in India not more than ten years ago, has an annual turnover not exceeding INR 100 crores (approximately USD 13.6 million), and is engaged in developing or innovating a new product, process, or service or significantly improving an existing product, process, or service. Additionally, startups in India should have a scalable business model with a high potential for employment generation or wealth creation. The definition of a startup in India has been provided by the Department for Promotion of Industry and Internal Trade (DPIIT), which is the nodal agency responsible for the formulation and implementation of policies related to industrial development and entrepreneurship in India. This definition is used for the purpose of availing various benefits and schemes offered by the government of India to promote the growth and development of startups in the country. India has emerged as one of the leading startup hubs in the world in recent years. The Indian government has implemented various policies and initiatives to promote entrepreneurship and innovation in the country. Here is an overview of startups in India:

- **Industry Focus:** Indian startups are primarily focused on technology, e-commerce, fintech, healthtech, edtech, and foodtech. In recent years, there has been a surge in the number of startups in agritech and cleantech as well.
- **Funding:** India's startup ecosystem has seen a significant increase in funding in recent years. Venture capital firms, angel investors, and government initiatives are the primary sources of funding for Indian startups. According to a report by NASSCOM, Indian startups raised a total of \$12.7 billion in funding in 2020, despite the pandemic.
- **Unicorn Club:** India has 48 unicorns, startups valued at \$1 billion or more. These unicorns include companies like Flipkart, Ola, Paytm, Byju's, and Zomato. Indian startups have also gained global recognition, with Oyo Rooms, Freshworks, and Zoho being some of the successful companies.
- **Government Support:** The Indian government has introduced various schemes and initiatives to support startups, such as Startup India, Make in India, and Digital India. These initiatives offer tax benefits, funding opportunities, and mentorship programs to startups.

### V. IMPACT OF STARTUPS ON MSMEs IN UTTAR PRADESH

The impact of startups on micro, small, and medium enterprises (MSMEs) in Uttar Pradesh is a topic of great interest, as it provides insights into the role of startups in driving economic growth and employment generation. Uttar Pradesh is the most populous state in India and is home to a large number of MSMEs. The state has seen a surge in startup activity in recent years, with the government actively promoting entrepreneurship through various schemes and

initiatives. The research paper aims to analyze the impact of startups on the growth and development of MSMEs in Uttar Pradesh. The study will employ both qualitative and quantitative research methods to gather data and insights from MSMEs and startups in the state. The research will focus on the following areas:

- **Impact on Innovation:** Startups are known for their innovative products and services. The study will explore how startups are impacting the level of innovation in MSMEs in Uttar Pradesh.
- **Impact on Employment:** Startups are significant job creators, especially in the early stages of their growth. The research will examine the impact of startups on employment generation in MSMEs in Uttar Pradesh.
- **Impact on Competition:** Startups are often disruptive and can challenge established businesses. The research will analyze the impact of startups on the competition faced by MSMEs in Uttar Pradesh.
- **Impact on Access to Finance:** Startups are known to face challenges in accessing finance, but they also bring in new sources of funding. The research will examine how startups are impacting the availability of finance for MSMEs in Uttar Pradesh. The research findings will be valuable for policymakers, entrepreneurs, investors, and other stakeholders interested in the startup ecosystem in Uttar Pradesh. The study will provide insights into the opportunities and challenges faced by MSMEs in the state and help identify ways to support their growth and development.

#### VI. ROLE OF STARTUPS TOWARDS THE PATH OF 5 TRILLION DOLLAR JOURNEY OF INDIAN ECONOMY

Startups have the potential to make a significant impact on the growth of MSMEs (micro, small, and medium enterprises) and contribute towards achieving the goal of a 5 trillion dollar economy in India. Here are some ways in which startups can play a role:

- **Job creation:** Startups can create new job opportunities for skilled and unskilled workers, which can boost employment and economic growth.
- **Innovation:** Startups are often driven by innovation and disruptive ideas, which can help MSMEs to improve their products and services, and stay competitive in the market.
- **Funding:** Startups can bring in funding and investments, which can help MSMEs to scale up their operations and expand their businesses.
- **Technology adoption:** Startups often rely on technology to drive their business models, and this can encourage MSMEs to adopt new technologies and digital solutions to improve their efficiency and productivity.
- **Collaboration:** Startups can collaborate with MSMEs to create new business models, products and services, which can help them to access new markets and grow their businesses. The Indian government has recognized the importance of startups in driving economic growth and has launched several initiatives to support the startup ecosystem in the country. Some of these initiatives include the Startup India scheme, the Atal Innovation Mission, and the Digital India program. Through these initiatives, the government

aims to create a favorable environment for startups to thrive, which can in turn support the growth of MSMEs and contribute towards achieving the goal of a 5 trillion dollar economy in India.

#### VII. FINDINGS OF THE STUDY

- Startups can play a crucial role in driving economic growth and innovation in India. They can bring in new ideas, technologies, and business models, which can create new markets and opportunities.
- By fostering a culture of entrepreneurship and innovation, startups can contribute towards the development of a thriving ecosystem that can support the growth of MSMEs and other businesses in India.
- According to a report by NASSCOM, the Indian startup ecosystem has grown significantly in recent years, with over 50,000 startups in the country as of 2021.
- These startups have generated over 1.5 million jobs and have attracted more than \$63 billion in investments. Furthermore, the Indian government has launched several initiatives to support startups and entrepreneurship in the country, such as the Startup India scheme, the Atal Innovation Mission, and the Digital India program.
- These initiatives aim to create a favorable environment for startups to thrive, which can contribute towards achieving the 5 trillion dollar goal. Overall, the role of startups in the Indian economy is significant, and their contribution towards achieving the 5 trillion dollar goal cannot be overlooked. By fostering innovation, creating new job opportunities, and attracting investments, startups can play a vital role in driving economic growth and development in India.

#### VIII. SUGGESTIONS BASED ON THE STUDY

Here are some suggestions on the topic of the role of startups in achieving the 5 trillion dollar goal of the Indian economy:

- **Encourage more startups:** The government should continue to encourage and support the growth of startups in the country through various initiatives, such as tax incentives, funding opportunities, and mentorship programs. This can help to create a more vibrant ecosystem for entrepreneurship and innovation.
- **Focus on innovation:** Startups can drive innovation in various sectors of the economy, such as healthcare, agriculture, education, and technology. The government can encourage startups to focus on these areas and provide them with the necessary support to develop new products and services that can create new markets and opportunities.
- **Foster collaboration:** Collaboration between startups, MSMEs, and larger companies can create synergies that can help to drive growth and innovation in the economy. The government can facilitate such collaborations by providing networking opportunities and other forms of support.
- **Improve access to funding:** Access to funding remains a significant challenge for startups in India. The government can work towards improving access to

funding by creating more opportunities for venture capital investment, crowdfunding, and other forms of financing.

- **Develop talent:** The success of startups depends on the availability of talent with the right skills and knowledge. The government can work with universities and other educational institutions to develop programs that can produce more skilled entrepreneurs and innovators. By implementing these suggestions, the government can create a more favorable environment for startups to thrive and contribute towards achieving the 5 trillion dollar goal of the Indian economy.

## IX. CONCLUSION

The study's findings highlights the significant role that startups play in driving economic growth and innovation in India. With over 50,000 startups in the country generating 1.5 million jobs and attracting \$63 billion in investments, their impact on the economy cannot be underestimated. The Indian government's initiatives, such as the Startup India scheme, the Atal Innovation Mission, and the Digital India program, have created a conducive environment for startups to thrive and contribute towards the ambitious goal of achieving a 5 trillion dollar economy. By fostering a culture of entrepreneurship, startups bring in new ideas, technologies, and business models that create new markets and opportunities. They also contribute to the development of a thriving ecosystem that supports the growth of MSMEs and other businesses. Overall, the study emphasizes the significant and positive contribution of startups towards driving economic growth, innovation, and job creation in India.

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