

THE ROLE OF STARTUPS IN INDIAN ECONOMY

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Abstract

Startups are companies that are focused on product or services that the entrepreneur want to bring to market. Over the last two decades, the Indian startup ecosystem has grown rapidly and is being created in all dimensions. Startups help for socioeconomic development and transformation since start-ups are centers of novel innovations, they generate jobs, which implies more career opportunities. Therefore promoting the start-up culture the Government has undertaken various measures. Prime Minister Narendra Modi launched the "Standup India" initiative in August 2015. It helps to build businesses and increases the initiative among the young Indians, and makes the country the best destinations for tech businesses.

It promotes empowerment and job creation. August 29, 2022, India had emerged as the world's third-largest startup ecosystem, with over 77,000 DPIIT- recognized startups spread throughout 656 districts. India's startup eco-system has become a standing example for the entire world.

These startups are simultaneously enabling more jobs than large companies or enterprises in the same industry. Therefore it curbs the unemployment problems in developing nations like India. This motivates researchers to put their ideas into practice by collaborating with the startups, which helps for economic expansion.

Due to these innovative startups, it has become easier for local entrepreneurs operating in rural areas to market and sell their products.

Startups enhance people's quality of life. As India has a massive, diverse population with many talented individuals in search of work, it is essential to develop by establishing a startup policy, startup portal, and helpline within every state. Creating incubation centers, entrepreneurial cells, and instilling an entrepreneurial spirit in every student at a young age becomes necessary.

The Indian government is showing enthusiasm by introducing policies and initiatives for entrepreneurs like Make in India, Startup India, MUDRA etc.

This paper discusses about development of startups in India and its innovations

. Keywords: Economic Growth, Innovation, Entrepreneur, Unemployment, Startups

Introduction

India is one of the nations to launch its innovative quality products across the globe. As on today startups are the young companies developing new products with new features and commercializing it. Hence countries are becoming prosperous due to increase in employment and economic growth. Startups continue to bring innovation in many fields and create jobs in India

India's startups has been growing since 2016 and government is supporting them by giving incentives. Propelled by government support, access to capital, skilled workers and supportive environment our country emerged as one of the leading startup eco system of the world. Business idea was turned into a reality. Government gave incentives, funding and tax exemption.

Incubators and accelerators are playing a substantial role in strengthening startups through out India.

Thirty new academic incubators have been established under the government startup India, stand up India initiative this year. The report states that investors are looking at opportunities and their sentiments are high for ventures like Fintech, Healthtech, Edutech, B2B, AI and data analytics. Indian start up system increased by 7.5% every year and contributed 4.5% to GDP. Biggest startups were Byjus, Ola cab, Swiggy, Dream 11, Oyo rooms, Razor pay.

Start up not only solved consumer needs but provided employment to the young generation. As per economic survey India is the third largest startup eco system in the world.

As per 2021-22 the government recognized startups were 81000 across 656 Indian districts. Startup company with annual turn over of 10 crores and above have success rate of 50 percent where as company's annual turnover below 25 lakhs was not successful and was very difficult and no chance of getting finance because investors invest only when returns are high and risk is less.

As per the study startups having new ideas need government support in documentation and reduction of taxes. Indian startups are extended to IT, education, health, agriculture and many more sectors. Increase in digitalization have created growth avenues to tech startups as well develop local markets and generate revenue.

Government is concentrating on defense, space and chip manufacturing sectors.

Hence startups will see further investments in these areas also. Review of literature Kumar (2015) found smooth functioning of startups due to various measures taken by government .

Due to lack of innovation they suffered initially but incubator provided adequate relief .

Review of literature

Gopaldas Pawankumar (2018) examines challenges that an Indian startup has to face and the opportunities that the country can provide in the current eco system.

B.V Naidu (2017) studied about challenges faced by startups. It has also focused on the growth of incubators and accelerators and technology as a boon for start ups.

Significance of study

1. Startups play a vital role for developing our economy and by encouraging young entrepreneurs who come with innovative ideas.
2. Promoting young leaders to expand their business through unique features of the product globally assisted by government incentives

Research Methodology

The study was done on secondary data collected through newspapers articles and internet

.Objectives

1. To study the performance and growth of startups.
2. To examine various schemes given by government for development of startups Government Initiatives Indian government has set up policies and initiatives for entrepreneurs.

AIM

Atal innovation mission promotes innovation and entrepreneurship country wise. Some key programs under this scheme are innovation centres, incubator centres and community incubation centres and Atal tinkering labs .Apart from financial support it offers easy access to information and resources. Make in India It gives opportunities to locally talented people.

PMMY

Prime minister mudra yojana launched in2015 gives loans from banks to startups to carry business smoothly . They offer products and services ranging from various sectors like IT, food, health and so on and created more than 700000 jobs. They help the ventures to sustain and grow their business. Loan is provided under three categories. Shishu upto fifty thousand rupees, Kishore five lakhs rupees, Tarun between five lakhs to ten lakhs

. SETU-

(Self Employment and Talent Utilization) Government allotted 1000 crore for providing new jobs in technology given domains. CLCSS Credit linked subsidy scheme launched in 2000 aimed to help MSME's upgrading their technology. This would help to maximize their revenue.

E-BIZ PORTAL Government provides this portal and integrates 14 permissions and licenses at one source to enable faster clearances and improve in the ease of doing business in India.

ROYALTY TAX

Government reduces the tax from 25% to 10% to be paid by startups and encouraged them. FDI Government increased FDI for most of the sectors to strengthen talents of young entrepreneurs. MSME sustainable ZED certification It was launched with the aim of creating awareness amongst MSME's about zero defect and zero effect in goals. Under this scheme the government has provided around 7.43 crores as financial support.

STAND UP INDIA

It was launched in 2016 which aims to provide employment for backward classes and women. There is flexible loan repayment time of seven years under this scheme.

VENTURE CAPITAL ASSISTANCE SCHEME

This scheme is for startups in agricultural sectors and they receive interest free debt and overdraft. The main aim is to develop agro industry

ASPIRE

A scheme for promotion of innovation, rural industries and Entrepreneurship introduced in 2015 to improve rural India social and economic aspects of life. To create job opportunities to reduce unemployment and strengthen startups.

CRTMSC

Credit Guarantee Trust for Micro Small Enterprises It provides collateral free loans amount ranging to one crore. This is primarily for service and manufacturing businesses. Design Clinic Scheme This is to boost experiments with new design with the government extending support for attending design seminars. Raw Material Assistance Scheme The main aim of this scheme is to assist in procuring raw material at very low rate of interest. Single Point Registration Scheme Under this scheme a single window is provided for filing tenders to startups and MSME. This reduces time cost requirements.

SISFS

Stand up India seed fund scheme provides financial assistance to early stage start ups for market entry, product trials commercialization and prototype development . Government has allocated a budget of Rs.945 crores to this scheme .This scheme enhances the innovation culture and development of country.

DIGITAL INDIA Genesis It was introduced in 2015 to help tech startups for transforming India and empowering society. It encourages online business at a very higher pace connecting rural areas.

START UP ACTION PLAN (2016)

Government has set up such plans for promoting startups by Scheduled caste and scheduled tribes communities. Start up India Initiatives This is the largest government schemes for startups in India. It provides leadership skills. It includes tax exemption, cost reduction, easy business windup option for 90days , access to funds, self certification under labour and environmental laws , fast track patent registration with 80% free rebate

MGS

The multiplier grand scheme is launched with the aim of bringing together industry and academic institutions .The proposal must be submitted by both in order to get financial support .

Findings

90% startups failed due to lack of funding. Government policies being rigid tampers the startups. Mushroom growth of companies without new innovations finally closed down and companies did not get ROI.

Lack of research and development about market also led to downfall of companies .

Unable to fulfill needs of customers reduced demand for products and decreased sales which had its impact on profits.

Conclusions

Very few startups could raise funds and other could not get sufficient finance. Many failed in the early stage and survival was higher at later stage.

Lack of business talent was weakness of startups. High competition from big business houses was a big challenge to startups.

Business suffered loss as it was unable to adopt change. Startups were improving and increasing at a slow pace.

Most of the startups were not funded properly so had to closed down. Lack of innovation, research and development led to downfall of startups.

Recommendations

Awareness - Companies have to study about the market situation before starting business. Awareness programs are essential at each level of startup ecosystem.

Funding- Sufficient sources of finance and schemes are required for encouraging new entrepreneurs.

Research and Development-In order to be successful in the market research becomes mandatory

Incubation centres - Centres must increase more avenues for successful working of startups.

Further Research

The study could be extended to various support schemes given by government and conducive environment created for developing young entrepreneurs.

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