

## **DEVELOPING IN TANDEM – A CONCEPTUAL STUDY ON GROWTH OF ENTREPRENEURSHIP THROUGH STARTUPS IN INDIA**

**Mr. Nanduri Anil Kumar,**

Associate Professor,  
Department of Commerce,  
Avinash College of Commerce (Degree),  
Kukatpally, Hyderabad.

**Ms. M. Sowjanya**

Assistant Professor,  
Department of Management,  
Avinash College of Commerce (Degree),  
Kukatpally, Hyderabad.

### **Abstract**

*There is substantial growth in Indian startups in the recent years. The exponential growth of startups is proving the potentiality of budding entrepreneurs. The recent data published in various sources, evidently shows the growth rate of startups in India. India stands in third position in the global ecosystem witnessing inception of around 50,000 startups in recent years. India has attracted investments in a different sector ranging from heavy engineering, information technology, electronics system design and manufacturing (ESDM), Telecommunications and automobiles. The new startups are transforming the shape of India providing sustainable business opportunities and employment, contributing for the growth of economy. Highly educated youth, availability of skilled labour, less investment, aid of technology, government initiative are major contributors for the growth of startups simultaneously risk-taking nature, proactiveness, potential for innovativeness, understanding eco system added to the raise of entrepreneurship. Thus, startups and entrepreneurship are growing hand in hand together in India, redefining the fortune of country. This study aims at understanding the growth of startups promoting entrepreneurship through secondary data.*

*Key Words: Startups, Entrepreneurship, Secondary data, Impact, Growth*

### **1.0 Introduction:**

India has the third-largest startup ecosystem globally, with an estimated 26,000 firms and cumulative inflows of over \$36 billion over the past three years, with 26 "unicorn"-startups valued at more than \$1 billion.

With the help of the government, incubators and accelerators as well as private investments such as seed, angel, venture and private equity funds, the Indian startup ecosystem has grown very quickly.

The government, on the other hand, is fostering a business-friendly environment through the flagship Startup India project launched in 2016. India is striving to become a knowledge-based and digital economy. To support entrepreneurship and boost economic growth, the government is deploying ICT infrastructure and providing policy support for better e-governance, investments and technological innovation through research and higher education.

According to the data, startup ecosystem growth is mostly concentrated in large, financially stable (Tier 1) cities and states, especially in IT-based industries such as finance, e-commerce and transportation. Small companies outside major cities often don't know about or use programs that offer a variety of tax breaks and government incentives for newcomers.



Availability of skilled man power along with proportional number of training institutes makes the state an ideal destination for startups.

### **1.1.0 Understanding the Ecosystem of growth of Startups**

**Demographic Analysis:** 600 million people are still under 25, and the number of people using smartphones, the internet, and financial services is growing.

**Market Size:** Expanding middle class, increasing disposable income, increasing use of social media and changing consumer demographics Out of reach with data and mobile plan costs are the lowest in the world

**Market Growth:** There is a lot of potential for the startup to grow. The increased number of active domestic and international angel and venture capital funders are investing in startups.

**Government Initiatives:** Adoption of digital technologies and government initiatives like these will improve the ease of doing business and create an environment that is conducive to innovation establishing Digital India and Startup India

**Emergence of startup hubs:** The effect of increase in startups in Tier 1 cities has created larger clusters of startups, investors, and supporting infrastructure

**Industry - academic - government linkages:** Education revolution after 1992, has resulted in increase of highly educated youth. Government has established many higher education institutions like IITs, IIMs and NITs and many more. Adoption of digital technologies and government initiatives like these will improve the ease of doing business and create an environment that is conducive to innovation establishing Digital India and Startup India. Government has concentrated on rural education, women and also balanced urban education. Growth in the number of university and industry - led incubators and accelerators, and setting up of government patent hubs.

### **2.0.Review of Literature and Conceptual study**

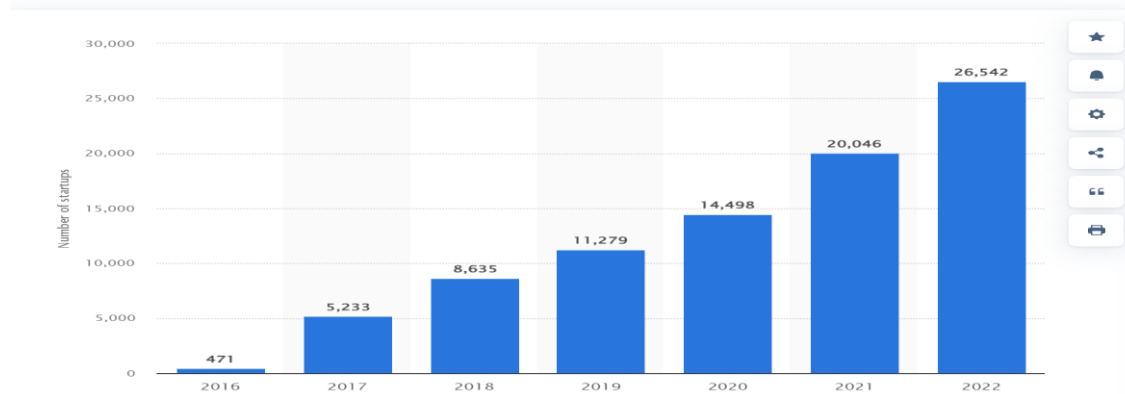
India is a young country with 65% of its population between the ages of 25 and 35. The year 2008 was the year India's startup revolution began. The employment market was seriously affected by recession, particularly to IT employees. The employment market is affected by fluctuations of business cycles, leading to uncertainty of job globally. This has led to fear of job loss and job insecurity. Youth started exploring the business opportunities mostly with the aid the aid of technology thus proving them to be successful entrepreneurs.

Indian startups are renowned for their friendly workplaces, late-night gatherings, and cultures that promote treating coworkers fairly. Inc42 reports that India is home to over 6,000 startups. Additionally, 44% of them have their headquarters in Tier II and Tier III cities, as Prime Minister Narendra Modi notes. Right now, India boasts the world's second-largest startup

ecosystem. India is among the nations with the greatest startup environments in the world for as per a survey done by Innoven Capital.

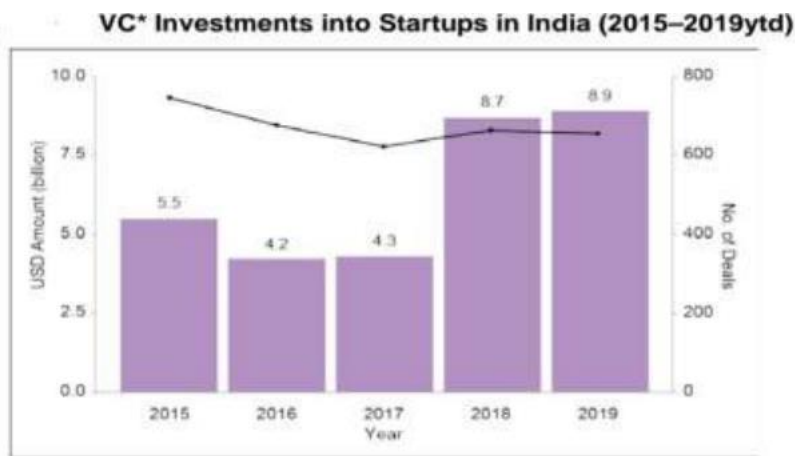
The below data shows the rate of growth of startups in consecutive five years, investments in to startups.

**Number of government recognized startups from financial y**



**Fig 1: Graphical representation of growth of startups in the period 2016-2022.**

Source: <https://www.statista.com/statistics/1155602/india-start-up-recognized-businesses>



Source: International Journal of Science and Research (IJSR) ISSN: 2319-7064 SJIF (2020): 7.803

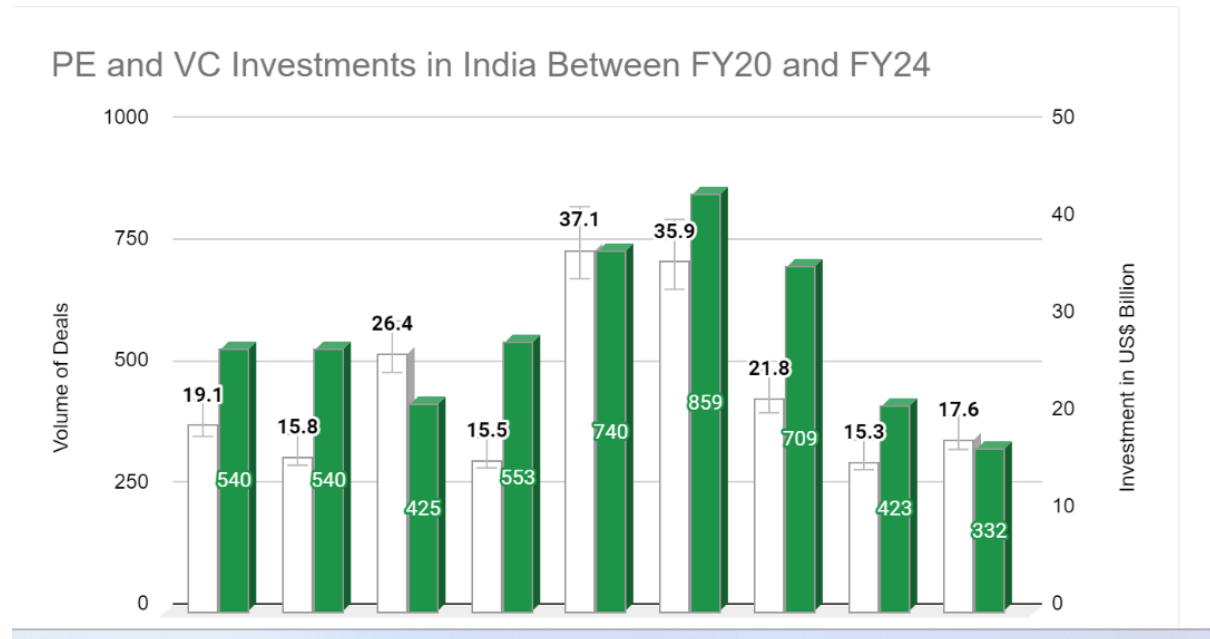
**Fig2: Growth of Investments into Indian Startups from 2015-2019.**

Further, the period of Covid-19 and post covid Indian startups witnessed a golden period of investments. India’s funding environment includes various sources ranging from angel investors and venture capitalists to crowdsourcing, and government projects.

- “The pace of growth in the startup ecosystem has increased to 15% year-on-year in 2018, while the growth of the number of incubators and accelerators has grown to 11%

- Significantly, the number of women entrepreneurs stood at 14%, up from 10% and 11% in the previous two years.
- Startups in the country have been able to create an estimated 40,000 new jobs over the year, taking the total jobs in the start-up ecosystem to 1.6-1.7 lakh”(Startup India)

**PE and VC investments in India**



Source:<https://www.india-briefing.com/news/investment-outlook-for-indias-startup-ecosystem-in-2023-29731.html/>

India currently hosts 108 unicorns, collectively valued at US\$340.80 billion as of March 31, 2023. Among this unicorn cohort, 44 achieved this status in 2021, amassing a cumulative valuation of US\$93.00 billion, while 21 new unicorns emerged in 2022, commanding a total valuation of US\$26.99 billion.

“The Indian startups have gone on to raise sizeable ticket sizes from various global and domestic funds. The top 15 deals constituted about 40% of total deal value, demonstrating that most funds are valuing deal quality more than quantity.

Private equity deal volume in India rose for the second straight year, and while the average deal size declined slightly from the prior year, the total value of \$26.3 billion in 2018 was the second-highest of the last decade. The number of deals greater than \$50 million increased from the previous year”. (India Briefing).

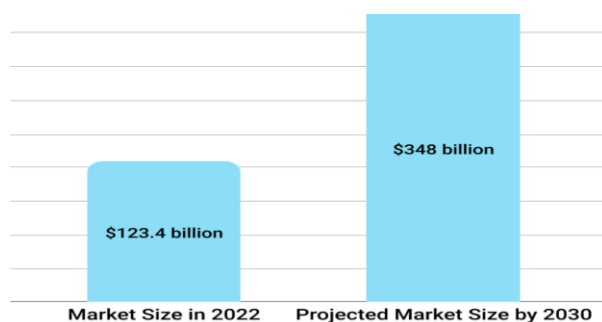
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### 2.2.0. Entrepreneurship:

The thriving startup ecosystem is a testament to India's innovation, entrepreneurial spirit, and its ascent as a global startup powerhouse. Top five attractive industries for budding entrepreneurs are:

1. **Edtech:** Digital technology has changed our learning. Hybrid mode of learning has become a game changer in the field of education, attracting more investors. EdTech has become one of the best industries to start a business. Online education has evolved and experienced a global surge in investment during the frenzy of 2020 to 2022 when many startups reported sky-high investment rounds.
  - Experts forecast that this market will experience a compound annual growth rate (CAGR) of 13.6% from 2023 through 2030, indicating strong potential for considerable expansion in the coming years.



Source: <https://geomotiv.com/blog/top-industries-for-startups-in-2022-2023>

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Eductech attracts investments in the areas of immersivetech, coding and technology, LMS, Language learning apps, STEM apps and social-emotional learning apps.

## **2. E Commerce:**

It's harder now than ever to find someone who hasn't bought online because of the pandemic. People had to follow the lockdown from 2020 to 2021, which led to a major shift in sales to online sales. According to a Statista analysis, the trend will continue until 2022 when retail e-commerce sales are expected to reach \$5.5 trillion.. As a result, e-commerce shot to the top of the list of emerging markets and attracted the interest of numerous investors seeking for venture capital. In the US alone, retail e-commerce sales came to \$257.3 billion.

## **3. Blockchain**

In today's rapidly changing technology landscape, blockchain technology presents a tremendous opportunity for startups to launch new businesses. According to a business research company, the blockchain technology market is expected to grow to \$10.02 billion by 2022. The projection indicates an 87.7% CAGR from 2023 to 2030, estimating a market size of around \$100 billion by 2027. No fastest growing startup industries on our list can boast such favourable estimations.

In 2023, the AI startup investment landscape is witnessing visible signs of expansion. The market value has surged to an impressive \$133 billion, propelled by a CAGR of 37% projected from 2023 to 2030.

## **4. FinTech**

Fintech is another fast-growing startup industry that offers abundant capitalization opportunities to investors. Expert Market Research reports that the industry will be worth \$194.1 billion by 2023. According to research, the fintech sector is expected to grow at a compound annual growth rate (CAGR) of 16.8% between 2024 and 2032, valued at \$492.81 billion.

In 2022, fintech will account for 17% of all startup investments and is a crowded field for new business ventures. Startups received \$83.7 billion in funding, but cash flow declined in the second half of 2022, according to our analysis of S&P Global Market Intelligence data.

## **5. Artificial Intelligence**

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The previous year, venture capital (VC) funding volume reached a significant milestone of \$52.1 billion in 2022. This substantial investment accounted for 12% of total VC cash flow to startups during the same period

### **2.2.1 Qualitative analysis of Rise of Entrepreneurship in India**

According to the GEM India Report (FY 21–22), India's entrepreneurial activity increased in 2021, with the country's total entrepreneurial activity rate (the percentage of adults (aged 18–64) who are starting or running a new business) rising to 14.4% in 2021, up from 5.3% in 2020.

“In the year 2022 itself, the Indian startup ecosystem has added 23 new entrants to the coveted \$1 billion valuation club. And by 2025, India is expected to have 250 unicorns. Home grown startups are known to have solved real world problems and disrupted the IT, education, healthcare, agriculture, among other industrial sectors”. (www.financialexpress.com).

According to GSER2022, several Indian ecosystems have risen in the rankings, most notably Delhi, which is 11 places higher than in 2021, entering the top 30 for the first time at #26. Bangalore has moved up one place from last year, to #22.

According to the Global Entrepreneurship Monitor (GEM) India Report (21–22), India's entrepreneurial activity increased in 2021. The country's overall entrepreneurial activity rate (the percentage of adults (ages 18–64) who start or run a new business) increased from 5.3% in 2020 to 14.4% in 2021. An international project called GEM aims to provide data on different countries. 'Entrepreneurial environments

Through a rate of adoption of 87%, India leads the world in fintech, with a global average of 64%. Payments represent the largest portion of fintech startups in India; lending, wealth tech, personal finance, insurtech, regtech, and other categories follow. The Fintech Times claims that the Indian financial technology the ecosystem has grown and expanded as an outcome of the untapped opportunities presented by the unbanked populations, a large population consisting of a sizable youth demographic, a high smartphone penetration rate, and increased internet access.

### **2.3.0 Role of Government to promote Startups and Entrepreneurship:**

Government has realised the incredible role of entrepreneurship in the growth of economy of any country. It vicious economic cycle starts with establishment of business. Entrepreneurship is the engine of economic growth of a country. It increases the economic activities in every sphere of economic life of the people.

The report of Five-year progress released by startup India clearly depicts the government efforts to promote startups through various schemes and policies. As the government has realised entrepreneurship as the catalyst for the growth of economy, it has liberalised all the operational hindrances.



India is working to promote innovation and entrepreneurship in many ways.

Government of India, under the Startup India initiative, uses mentorship to promote entrepreneurship. It is Encouraging and numerous aspiring entrepreneurs from its launch in January 2016. Using a complete 360-degree strategy to support entrepreneurs, the program offers a free four-week online learning program. Government has taken initiative to establish incubators, research parks and Establishing centers across the country by establishing a Strong industrial and academic body network. It additionally established startup hubs to increase entrepreneurial knowledge and assess the risk of each new business idea. In other words, there is a "fund of funds" created to make it easier for investors to get started. As a core effort, an environment that encourages entrepreneurial innovation and success is being built. Using such methods without any barriers, Online Startup Acknowledgement, Startup India Learning, program, making patents easier and simpler to obtain Provisions for Compliance, Relaxation Collection, Programs Supporting Innovation and Incubators. Financial aid for students, tax breaks, and regulatory compliance. The three major missions-initiated entrepreneurship in India are:

**Make in India:** The Make in India initiative was launched in September 2014 with the goal of transforming India into a global design and manufacturing hub. An appeal to Indian citizens and business leaders, as well as an invitation to prospective partners and investors the world to modernize obsolete processes and policies, as well as centralize data on Manufacturing opportunities exist in India. This has resulted in renewed faith in India's capabilities among potential international partners, the business community within the country, as well as citizens in general. The strategy One of the largest supporters of Make in India in recent history. Among other things the initiative has ensured the replacement of measures frameworks that are obsolete and obstructive with systems that are transparent and easy to use.

The mission make in India is a program to encourage manufacturing eco system. The fullest utilization of resources is possible with the promotion of manufacturing industries. The manufacturing growth rate has averaged 5.9% since 2013-14, the share of manufacturing has remained stagnant and was at 16.4% in 2022-23, and manufacturing jobs halved between 2016 and 2021. Raise in manufacturing sector growth to 12-14% per year. Create 100 million additional jobs in the manufacturing sector by 2022.

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Increase in the manufacturing sector's share in the GDP to 25% by 2022. GDP from Manufacturing in India decreased to 6677.70 INR Billion in the second quarter of 2023 from 7382 INR Billion in the first quarter of 2023. GDP from Manufacturing in India averaged 5120.61 INR Billion from 2011 until 2023, reaching an all time high of 7382.00 INR Billion in the first quarter of 2023 and a record low of 3331.04 INR Billion in the third quarter of 2011.



**Digital India:** To modernize the Indian economy and make all government services available electronically, the Digital India initiative was launched. The initiative's goal is to turn India into a digitally empowered society and knowledge economy. Government is mobilising internet services to promote digitalisation across the country. It aims to enable women entrepreneurs to participate in the economy and share the benefits of India's growth. At the same time, at least one woman and one person from the SC or ST communities are given loans ranging from Rs.1 to Rs.2 million to Rs.10 million to establish Greenfield manufacturing, service, or trading businesses sector. The Stand-Up India portal also serves as a resource. Digital platform for small business owners that provides information on financing and credit guarantee.

**Skill India:** The mission, which was launched in July 2015, aims to create synergies across sectors and states in skilled industries and initiatives. With the goal of constructing a 'Knowledgeable India' It is intended to accelerate decision-making across sectors in order to provide skills at scale. The skill India mission has seven submissions to enhance skill of entrepreneurs by giving proper training and able guidance.

The following are the other programmes taken up by government to promote entrepreneurship and startups.

- Atal Innovation Mission
- Science for Equity Empowerment and Development (SEED)
- Jan Dhan- Aadhaar- Mobile
- Support to Training and Employment Programme for Women (STEP)
- Biotechnology Industry Research Assistance Council (BIRAC)
- Trade related Entrepreneurship Assistance and Development (TREAD)
- Department of Science and Technology (DST)
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

### **3.0.Impact of Startups on Entrepreneurship:**

India has 112 million working people aged 20 to 24, compared to 94 million in China. This demographic dividend is accelerating the startup culture in the country in the absence of government jobs. India will become the third largest startup ecosystem in the world by August 29, 2022, with more than 77,000 DPIIT-accredited startups spread across 656 districts. These startups create more jobs than larger companies or organizations in the same industry. As a result unemployment rate will decrease in developing countries like India.

More focus is laid on improvement of the core competencies. Many multinational corporations are now outsourcing tasks to small businesses in India. As a result of this trend, many multinationals, including Indian venture capitalists, are closely monitoring the progress of Indian startups to invest their money.

Indian GDP is expected to grow by 6.9% in fiscal year (FY) 2022-23 and 6.2% in fiscal year (FY) 2023-24, despite rising global food and energy prices, which will increase inflation. As GDP is important in a country's economic development, it is possible to increase domestic income and consumer capital will circulate across the country if more startups continue to be encouraged and supported.

### **3.1.Funding to Startups:**

Funding agencies and grant sponsors disburse funds in accordance with their guidelines, terms and conditions within predetermined parameters. Most funding agencies provide funds to grass-roots NGOs working for social sector, social causes, entrepreneurship and welfare programmes. Aiming to "improve the lives of India's poorest and most vulnerable communities", the foundation provides grants of around 40 million rupees annually to local NGOs working in specific areas, supporting at least 20 organizations across the country. The government understands the importance of startups in driving innovation and economic growth. Various ministries and departments have implemented programs to help startups with financial, infrastructural and regulatory support. The schemes cover technology, manufacturing, agriculture, healthcare and other industries. With dedicated fund raisings in 2022 (\$17.4 billion), the India PE/VC story is expected to strengthen as India is one of the few bright spots in the global economy.

Seed funds, also known as seed investments, help startups grow their businesses. Because of the rapid change in technology, seed funding helps startup companies grow and develop their products. Approaching investors who want to invest in potential startup ideas for a successful business is a popular method of obtaining seed funding. Before starting any business, entrepreneurs raise funds from friends and family in the early stages.

Seed finance covers all costs related to product development, proof of concept or market research, as well as administrative costs associated with launching a startup. At this stage, the startup's goal is to test the market and demonstrate the viability of the business idea.

Venture capital or risk capital investments can come from funds that invest in individuals, groups, companies or startups. Venture capital investments are not the same as bank loans because after financing, venture funds look for new opportunities. A comparable piece of startup ownership, however, is bank funding for interest for a pre-determined period. Venture capitalists are not affected by the cash inflow and outflow of startups and have no costs, whereas bank loans are always timely and they disrupt the cash flow of the business during the repayment period. (36)

Under Croatian law, it is also known as a risk capital fund.

Venture capital funds focus on high-risk, high-return projects for which they provide managerial and financial support.

#### 4.0 Conclusion:

The impact of promoting startups has accelerated the tremendous growth of entrepreneurship. The increase in the number of startups shows the efficiency of budding entrepreneurs, together contributing to economic growth. The statistical data for consecutive five years shows the leaps and bounds of growth of startups in India. It is the result of the entrepreneur's risk-taking and innovativeness and initiatives taken by the government. Initiatives taken by the government under different schemes, giving financial aid have opened doors for Indian Startups. IOT has strengthened comprehensive development taking innovation and entrepreneurship to the next level.

The study is limited to only secondary data from the previous five years. Only three popular missions of the Indian government to promote startups were studied. An in-depth study can be extended to measure the impact of startups at a macro level, small and medium enterprises, economic growth, technology, etc., There are many financial institutions and NGOs funding to the startups. Corporates are also investing in startups and the study can be extended in this area of research. Seed funding and venture capital financial institutions are also promoting startups in India.

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