

A Study On India's Startup Surge: How To Motivate Youth Towards Entrepreneurship By Examining growth Drivers In A vibrant Economy

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Abstract

The Indian start-up ecosystem has recently taken off due to factors such as large finance, consolidation, new technology, and a growing local market. "Over the last three years, more than \$26 billion has been invested in Indian companies, making it the third-largest start-up ecosystem, with 26 "unicorns"—start-ups valued at more than \$1 billion". It is a paradigm shift. This paper tries to explore the dynamic contribution of start-ups for the growth of Indian economy, emphasizing their impact on job creation by attracting youth towards entrepreneurship. By analyzing the current trend and data, the study highlights how the startups not only provide employment opportunities but also create a culture of entrepreneurship among youth through the startup ecosystem and various supports of government.

The mission of Start-up India is to remove the boundaries of conventional thinking and inspire our new innovative generation to come up with innovative business concepts. It is a sign of things to come for India's rise to prominence in the new global order. The study aims to examine the fastest growing startup ecosystem of India and how it is helping our youth to think differently from job seekers to job providers.

Keywords: Start-ups, ecosystem, Economy, Entrepreneur development.

Introduction

The policies of the Central Government consider the collective goals and entrepreneurship of the risk-taking Indians in India. Many Indians are at the core of the success of Silicon Valley enterprises. "By 2030, India hopes to account for 15% of the world's GDP". When the startup movement reaches a critical mass, something occurs. Startup India goes beyond the idea that it is just a better way to package existing institutional backing. Managing the diversity of India's thinking processes and people is well-known and well-understood. The ambition of Startup Indians is to thrive amidst an ocean of mental and emotional upheaval. It is strengthening the unstoppable Indian's wing feathers. While India has long been lauded for its ICT expertise, the country has also lately gained notoriety for its impressive economic growth spurred by digital transformation and innovation.

This has made it one of the world's largest startup ecosystems along with its recent rapid economic growth. Increasing numbers of investors, VC funds, incubators, and accelerators have gradually helped the Indian startup ecosystem grow over the last few years. The government's programs such as "Digital India, Startup India, and Smart Cities" are also helping to fuel startup activity across cities and new industries. Unicorn numbers and investment in startups have increased because more people have money, more people use the internet, more people use mobile phones, more people use social media, more people use technology, and more people have good customer demographics.

Toward the End of the Cycle for Indian Startups Due to the birth of six "unicorns" during the 2014–15 period, the Indian startup ecosystem is regarded to be at a turning point. As a result of these and other factors, the startup ecosystem of India has expanded significantly since then.

- **Demographic dividend:** There are 600 million people below the age of 25, and internet, smartphones, and financial penetration are all becoming more popular among these people. □ **Market size:** There has been an increase in disposable money and social media use among the middle class, which has shifted previously unreachable customer segments. increase in local and international angels/VCs and the number of businesses incorporated.
- **Political Will:** Government efforts like —Startup India and Digital India and regulatory infrastructure like the Securities and Exchange Board of India (SEBI) and the Securities and Futures Commission of India (SFC) are all examples of political will.

There are more angel investors and more experienced serial entrepreneurs because of big, publicly traded (and not-publicly traded) tech companies.

In India There is a large supply of technical and engineering graduates

- Emerging startup hubs: —Agglomeration impact in Tier 1 cities has resulted in greater clusters of startups, investors, and supporting infrastructure.
- Academic-Industry-government linkages: —Government patent centres have also been established by the government, as have university and industry-led incubators.
- Exits and mergers and acquisitions (M & As) remained rare even as the startup environment expanded. That all changed in 2018 when Walmart paid \$16 billion for a 77 percent share in Flipkart, the world's largest e-commerce acquisition. The purchase exemplified the rapid expansion of Indian startups on both a national and international scale. In spite of its quick growth and dynamism, India's startup ecosystem is still in its infancy. It wasn't until recently that Indian entrepreneurs began focusing their efforts on fixing local issues and working with the most cutting-edge technology. This hesitation is partially due to the scarcity of investors with vast finances, steadfastness, and a tolerance for risk who are willing to support risky ventures. Reforms could not be implemented as quickly as they were in the PRC due to various factors, including consumer behaviour shifts, low price points, lengthy gestation periods, and a high level of capital burn.

The influx of foreign money into India

There are several reasons for foreign investors' interest in India, but one of the most important is the explosion in mobile phone use. Tiger Global Management (TGM), a New York-based global private equity and hedge fund, has also given other private equity and hedge fund firms confidence to come to India. The idea of placing large bets on Indian innovation has gained traction around the globe. Given below are a few examples of international investors who have made investments in Indian start-ups:

- In India in 2014 Tiger was one of the top investors, despite a slow start, with \$422 million. Flipkart, which raised almost \$2 billion in 2014, got a lot of money in recent years.
- DST Global, backed by Russian investor Yuri Milner, invested \$352 million in the company.
- In 2014, the Japanese telecommunications company, Softbank, invested \$282 million in Indian businesses.
- At the same time, —Nexus Venture Partners was the leading VC player in the country with \$73 million in investment, followed by Kalaari Capital with \$45 million in six transactions. □ More than \$200 million was invested by Sequoia Capital over the first four months of this year in 14 acquisitions.
- In its portfolio of firms, Accel Partners has invested between \$0.5 million and \$50 million in a wide range of online technology startups, including BabyOye and BookMyShow and Myntra, CommonFloor, Zansaar, and Probe.
- Inventus Capital Partners and 500 Startups are two notable international investors that have helped alter the Indian investment environment since 2009.

Literature Review

Chokhani, R (2020) revealed that skilled talent was hesitant to join startups as they had witnessed mass firing and downsizing. In addition to this challenge, raising the capital was the biggest challenge for startups for a very long time. The researcher further stated that in startups the job market is in flux as large corporations expand up and then reduce their workforces as a means of gaining greater efficiency.

Joern, H.D. et al. (2020) found in their research that there was a positive impact of selfemployment on bootstrapping. The entrepreneurs with good experience were found to be with high skills to manage the liquidity during financial turmoil like the covid-19 pandemic. They have also expressed in their research that the government policies and bootstrapping act as complimentary support leading to a strong motivation for the entrepreneurs.

Kuckertz, A. & et al. (2020) conducted research and studied the shocks and adversities faced by startups and the way innovative startups faced the situation and they also suggested long term policies which are required to support startups. They cited that innovativeness is one of most preconditions for any startups which make them resilient and this precondition makes them anticipate and adjust for the crisis constantly and continuously. The researchers revealed that startups had seen a reduction in sales on one hand and fixed cost remaining the same which had threatened the survival of startups.

Sedláček, P., & Sterk, V (2020) have expressed that the startups are very important and these young businesses create new jobs, as seen in the United States 2.9 million jobs being created every year. The increased rate of growth and exit by these young firms called 'up-or-out dynamics' suggested that the startups were categorized as creators of positive net jobs. The researchers have expressed positivity and a ray of hope stating that these startups respond positively to the policies and support mechanism extended to them which could foster their long-term growth.

Financial Cycle of Start up First Angel investors

- Seed capital/ Angel investors are essential for firms in their early stages.
- Put all of your money into an entrepreneur who has a great idea.
- The entrepreneur is not burdened by any corporate governance requirements.

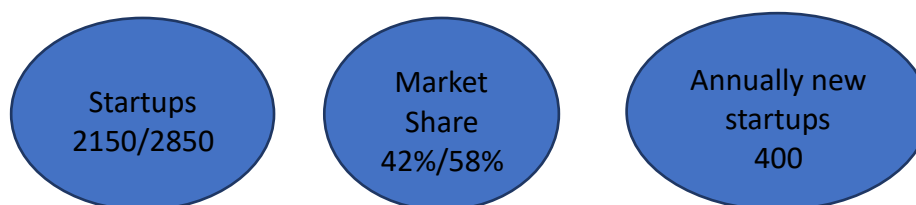
Secondly, venture capital

- It is used to increase the size of the company's business model.
- The monetary resources possessed by an institutional
- It's all about expanding the company's worldwide footprint and having a strong sales team.

Public Markets

- Late-stage companies may feel compelled to expand aggressively or to actively reinvent the product more frequently.
- Liquidity is provided by private equity funds and the public markets.

Industry composition of Indian startups 5000 startups approx.



- Most of the technology-based startups are in the e-commerce (33%) and B2B (24%) categories, as well as consumer internet (12%) and mobile apps (10%).
- Most non-technological startups fall under the categories of engineering (17%), construction (13%) or agricultural products (11%)
- Transport & Logistics 6 percent, Outsourcing & support 5 percent, Textiles 8%, Printing & packaging 8%, Others account for 32%.

As of 2020, Tiger Global has the most money invested in startups with —\$269 million (Ventura Intelligence), followed by Sequoia Capital with \$208 million spent on 14 transactions, and Steadview Capital with \$107 million invested in two acquisitions. Bangalore, New Delhi, and Mumbai were the three cities with the most startups sponsored, with Bangalore coming out on top with a total of \$2.43 billion. In terms of revenue, it's no surprise that e-commerce accounted for the lion's share (\$3.23 billion), followed closely by the consumer Internet and mobile app industries. The outlook is brighter because of a mix of variables that have made it easier to invest and depart. According to a —KPMG Survey Report for 2020, strategic possibilities like these will offer fertile ground for further acquisition momentum.

India's Recent Mergers and Acquisitions

An online startup monitoring deal-making involving startups is Tracxn saw a total of 43 startup acquisitions in recent years; thus far this year, 41 have been made, with startups being the most acquisitive. In only two of the 41 transactions, the purchasers were huge corporations like Godrej and Mahindra & Mahindra. It's not just money driving all of this deal-making frenzy. For the sake of comparison, let's look at a few other purchases made by young startups this year so far.

In its second acquisition agreement of the year, Livspace purchased Dwell.in (an online network of interior designers)

- Practo, Asia's most popular doctor search engine, has purchased Fitho (a digital fitness solution).
- MakeMyTrip Limited announced that it had purchased Mygola, a smart trip planner.
- In order to make India's digital commerce ecosystem the most powerful in the world, Snapdeal bought the company that runs FreeCharge.

There are strategic chances that inspire purchasers, so let's take a look at some of them. As soon as a suitable target becomes available, buyers are ready to make an acquisition to increase their geographic scope:

- In order to broaden their customer base

- Entering a new market
- In other cases, the buyer is seeking lucrative operations and/or a profit on the sale of the business.
- In order to better safeguard intellectual property rights,
- To deal with the threat of competition
- investing in a different part of the chain
- When a buyer in India decides to purchase another business, they do it for one or more of these reasons.

International Mergers and Acquisitions: The Truth and Myths of the Practice

It seems like the greatest approach to learning about the future is to study history. If you are looking to expand your product or service offerings, or if you are looking to acquire new patents for your company's future plans, an acquisition may speak loudly. Twitter bought ZipDial, a Bangalore-based mobile marketing and analytics startup. Among ZipDial's many clients are —Unilever, Disney, Gillette, Amazon, Facebook, and Twitterl. ZipDial is a "missed call marketing" platform. Twitter wants to use SMS to reach a lot of people who don't have access to the internet in countries like India, where internet use is still much lower than in Western countries.

Facebook purchased Bangalore-based firm Little Eye Labs, which developed a software solution for evaluating Android app performance. The transaction was estimated to be worth \$10–15 million. Clearly, the goal of this transaction was for Facebook's mobile development to reach the next level. More than a billion people use Facebook, and Little Eye Lab's ability to enhance the mobile app might have a significant influence. Yahoo! purchased Bookpad, a Bangalore-based firm with cloud-based document processing technologies, last year in a transaction estimated to be for approximately INR 50 crores. As Yahoo considers a move into the document collaboration area in order to better compete with —Microsoft, Google, Google Drive, Box, and Dropboxl, it makes sense to acquire Book pad's developers.

Enablers of the Indian Startup Ecosystem

More startups have sprung up as a result of the success of Indian startups. Enablers, accelerators, and incubators support startups' development and decision-making. They help new businesses mature by providing policy advice to governments and acting as market catalysts. One of the most important aspects of the startup ecosystem is the collaboration between organisations like NASSCOM and iSpirt that bring together a wide range of players. To put it simply, their mission is to give financial assistance to new businesses.

The 10x scaling up of the Indian startup ecosystem is the goal of NASSCOM's "10,000 Startups" project. All of these companies are involved in the program's development, including Microsoft, Google, Intel, and Verisign and Kotak. During the next decade, 10,000 Startups plans to provide incubation, investment, and assistance for 10,000 new businesses in India. More than 150 technological firms have benefited from the program's assistance in obtaining financing, being accepted into accelerator programmes, finding clients, and onboarding members.

To encourage Indian software product firms, iSpirt is a non-profit think tank. On the other hand, NASSCOM is both a trade organisation and an industry association. With the help of pioneers, they're hoping to duplicate the success of Silicon Valley in India.

Comparison of India with other Countries

	“India”	“China”	“Israel”	“Japan”	“US”
“no. Ofstart-ups (~)	10,000	10,000	4,750	N.A	83,000
Tech-basedstart-ups	4,300	3,400	4,000	N.A	48,000
Non-tech basedstartups	5,700	6,600	750	N.A	34,000
Set up a newbusiness (Days)	30–60	30	13	10	4
Corporate taxrate	34%	25%	26%	34%	39%

No. of Taxpayments by businesses (p.a.)	33	9	TBD	TBD	11
Bank lending rate	10.3%	5.6%	3.9%	1.2%	3.3%
R&D spending% of GDP (Est.)"	0.85%	1.90%	4.20%	3.40"	2.80%"

Source: World Bank, Newsarticle's, Govt. sites.(2020)

Pre-start-up research and validation are two important parts of the startup life cycle. Then comes startup efficiency, scalability, and expansion, which includes sale and maintenance or renewal as an vital part of startup life cycle development.

• Pre-Startup

Discover: Find a viable concept for a product or service that can be scaled up to serve a large enough market.

Validation: The service or product that has been identified goes out into the market and tries to find the first customers who are willing to pay for it.

• Startup

Scale: Expansion at a rapid pace while simultaneously strengthening the company's ability to expand in a sustainable way.

Efficiency: As the entrepreneur starts to establish his/her company model, he/she begins to seek for methods to expand the client base

• Growth

Maintenance: The company's worldwide reach needs ongoing maintenance in order to reap the advantages and address any issues that may arise.

Sale: If a startup wants to sell to a big company, it may get the money it needs to continue expanding. As a part of the startup ecosystem, new product, process, or service creation and distribution is referred to as a "startup business." This company is brand new, with revenues of up to INR 25 crore and fewer than 50 employees. It has been around for less than five years. This means that these startups are supported by large corporations and colleges and financial organisations such as venture capitalists and angel investors.

India has the ability to be a centre of innovation and a place to try out new ideas When it comes to human capital and information technology (ICT) services, India has an advantage over many other countries in the world. Technology, innovation, and research are used in knowledge economies to produce new knowledge, spread it, and use it for growth. However, there has been no update to the World Bank's Knowledge Economy Index since 2012, which ranks India 109th out of 145 nations. When it comes to 80 different indicators, including intellectual property rates filing and creation of mobile app, as well as educational spending and scientific/technical publication spending, India moved up five places in the —Global Innovation Index (GII)|| from 2018 to 2019, from 57th to 52nd place among the 128 countries included. Developing low-cost solutions for clients that are price-sensitive, commonly known as "frugal innovation," is a difficulty. Low-cost, low-tech solutions like this must be widely applied in order to help those who are disadvantaged and undeserved. In nations like India, startups free of the constraints of older, legacy technology, may take advantage of these rapid technical breakthroughs to accelerate the digital and mobile data revolution. Mobile payments, banking, and other related services are also gaining ground swiftly. —India is 63rd out of 190 countries in the Ease of Doing Business 2020 rankings|, although it still trails behind in categories like —contract enforcement (163rd) and property registration (154th) (The World Bank Group 2020)|.

It is reassuring to know that the most recent improvements in the Doing Business categories of, dealing with construction permits, starting a business, trading across borders among other things, have been implemented in these sectors. Knowledge-based economic development is essential for India to reimagine its competitive advantages as labour and capital-intensive manufacturing fade. Future developments give an excellent chance for companies to disrupt and

innovate, using technologies such as — blockchain, Internet of Things (IoT), AI, and machine learning (ML), among others, as part of the fourth industrial revolution (Industry 4.0)l. It's possible for startups to play a significant role, especially given a culture of research and innovation, respect for intellectual property rights, and flexible capital or labour marketsl that allow for new ideas.

Startups in India: Challenges

The Indian startup ecosystem is still in its infancy, and scalability issues are also included. There is a big market potential, but Indians still do not have the discretionary wealth necessary to build goods that are unsurpassed. Fewer than half the country's 78 million middle-class shoppers have used the internet to make purchases, according to the —National Institute for Applied ADBI Working Paper 1145, Google, Bain & Company2019).

Due to the irregularities in the Indian market, VCs are finding it challenging to achieve outsized returns on their investments, but Asian investors, notably those from China and Japan, are eager to invest in India despite this.

Financing for Indian businesses is still a problem, but it is becoming easier. Because India is a developing country, VC investment deals in India are much smaller than in Silicon Valley. The problem is that India's borrowing rate is three times higher than in rich countries. This encourages investors from other countries to lend at lower rates.

Startup profitability is also impacted by regulatory and tax difficulties. The corporate tax rate was recently reduced from 33% to 22% and 14% in 2019 and 2020, respectively, but it remains high. There are too many requirements for companies to be eligible for government incentives, and if they make more than INR 1 billion, they are rejected. According to a poll, a third of Indian businesses are actively considering moving out of the country in order to reduce their compliance and tax responsibilities (LocalCircles 2019).

Five percent of technology companies in India succeed, compared to the global average of less than five percent of startups. There is a need for the government to streamline the process of establishing firms, bankruptcy rules, and re-entering unsuccessful entrepreneurs back into the startup community.

Only software as service (SaaS) firms are able to get into the worldwide market since they lack the credibility to do so, and even these entrepreneurs aren't aware of the global market potential.

India lags behind —Japan, the People's Republic of China, and the Koreal in terms of foreign patents. Lack of innovation was listed as the most prevalent cause of the high failure rate in studies. An inability to recruit competent workers, a lack of institutional mentorship and weak business ethics, with more than 70% of India's engineering graduates labelled "unemployed." It's hard for new technology-based industries like deep-tech and deep-science (PhDs, researchers, and so on) to get started because there aren't enough people who are very good at their jobs.

Despite the fact that MeitY and the DST have established institutionalised industryacademic-government links and gathered data on Indian companies, much more effort is required in this area to create a favourable environment and provide much-needed assistance for entrepreneurs.

Conclusion

For the success of the Startup India initiative, registration of firms, self-certification for several legal requirements, zero inspections for three years, and patent financing all need to be in place. It is important to include procedures that expedite the winding down of defunct businesses within a 90-day period. Indian legislators might just do that under the new bankruptcy legislation. In view of the high incidence of launch mortality, it is essential to have an easy start and termination. This is the basic idea. As per the results, respondents in this survey supported the idea of sponsoring incubation centers. On the same lines, the government's proposal to do so at universities as well as innovation movements, research parks, and industrial parks is being taken up. It will be possible to attract ten times more investment by 2022 if the government can commit a spend of ten thousand crores over four years. Indian businesses need a credit guarantee to take off.

Tax holidays of three years are a benefit worth considering as an incentive. It also makes sense to compare the regime in the listed market with capital gains. In order to keep the finest investors in India, foreign exchange restrictions must be tailored to their demands. Several obstacles must be overcome as a result of these and other factors at play in the global market.

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