

## Start-up india- its performance in Indian economy

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### ABSTRACT

India is the second largest populous country in the world and it have more youth power than other countries and at the same time it have more unemployment rate, its unemployment rate is 3.43% which is huge when compared with its population. To control this unemployment our honourable Prime Minister Narendra Modi has taken a step to eradicate unemployment, and initiated a campaign Start up India. This is an action plan in this Banks will finance for start-up ventures. It is organised by Department of industrial policy and promotion (DIPP). There are various schemes available under this and the person with innovative ideas, will be benefited by this scheme. This creates an employment opportunity for many job seekers. Start-up India is launched in the year 2016, and by 2025 unemployment rate will come down to half because this creates many job opportunities. And this will improve our economic growth of our country. Many small and new entrepreneurs will be benefitted by this. Soft bank which has a headquarters in Japan had invested 2 billion US dollars for this. Our prime minister has requested all banks to support for this scheme. All the states in India were performing well in supporting start-ups, southern states shown great performance than other states. In this paper various schemes under Star-up India and their performance in Indian economy had been discussed.

**Key words:** Start-up India, unemployment, entrepreneurship, schemes.

### INTRODUCTION

According to DIPP Start-up is defined as,

**“Start-up means an entity, incorporated or registered in India,**

1. Not prior to seven years, however for Biotechnology Start-ups not prior to ten years,

2. With annual turnover not exceeding INR 25 crore in any preceding financial year, and
3. Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a Start-up if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 7 years and for biotechnology Start-ups 10 years from the date of incorporation/ registration.

Provided further that a Start-up shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose. Government and private companies are playing greater role in funding the Start-ups. In recent years, India has paved its way to secure third position in the world in terms of the number of start-ups founded. In the period 2005-15 the total venture investment in start-ups during is estimated at ₹1117 billion (11,170,000,000 INR). Actual investment could be much higher since details of investment amount are not available for many of the deals. The average annual growth rate in investment flow during the period 2005-15 is about 42 percent. Between the years 2005-15, more than 10,000 start-ups have received funding in India. The average annual growth in the number of start-ups that have been funded for the period 2005-15 has been 16 percent. In most sectors, there has been an equivalent Indian start-up to that of a foreign start-up. While many foreign start-ups have also started operations in India, the presence of an Indian start-up meant that the Indian consumer need not have to wait till the foreign company started operations in India. Indian Start-ups showed an good performance than the foreign Start-ups.

## **OBJECTIVES**

- To study about the Start-ups in India.
- To ascertain the Impact of start-ups in India.
- To identify the problems faced by Start-ups in India.

## **START-UP IN INDIA**

Start-up India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities.

The Government through this initiative aims to empower Start-ups to grow through innovation and design. To meet the objectives of the initiative, on 16th January 2016,

Government of India announced the Action Plan that addresses all aspects of the Start-up ecosystem.

- Funding support through Fund-of Funds with corpus of Rs. 10000 corer.
- Entrepreneurs should register a company in one day, against 15-20 days as row.
- No tax on Profit, inspection for 3 years
- Capital Gain Tax exemption.
- Credit Gurantee Scheme.
- Easy & Faster Exit Policy.
- No Capital Gain if money is invested in another start up.
- Self certification based compliance for Labour & Environment laws.
- Set up of start up India hub for clearance.
- Mobile apps, portal for registration.
- Holding with Govt acting as a friend and colleague.
- Encourage start-ups in Government purchase.
- Special Scheme for women entrepreneurs.
- Support bio-technology start-ups.
- Programme to encourage innovation among students in 5 lakhs Schools.
- Building innovation centre at National Institutes.
- Setting up Research park.

## **TYPES OF FUNDING SOURCES**

There are various funding sources are available in India, entrepreneur can get benefited by these sources, both government and private organizations are coming forward to fund the Start-ups. Some of the funding sources are,

- Crowd funding Angel investors Venture capital
- Bank loans (various schemes available for Start-ups)

## **CURRENT STATE OF STARTUP INDIA**

1. India is the third largest Start-up HUB in every state there is an HUB
2. Average age of start-up founders is 28 years.
3. 9% of the total start-up founders are women
4. Total tech start-ups are expected to increase from 4300 in 2015 to 11500 in 2020.

5. Average number of new technology start-ups has moved from 480 in 2010 to 800 in 2015. Expected to increase to 2000 in 2020.
6. Majority of start-ups and investors are from metro cities. ie, Tire 1 cities
7. Approximately, 50% growth in share of female entrepreneurs in the last 12 months.
8. The number of Private Equity and Venture Capital firms has doubled in the last 12 months.

**Source:** NASSCOM Start-up India report 2015, Start-up India Momentous Rise of the Indian Start-up Ecosystem, CII report on a snapshot of India's Start-up Ecosystem, Secondary sources, News article.

## STARTUPS IN INDIA- COMPARISON WITH OTHER COUNTRIES

**Table 1**

FACTORS	India	China	Israel	Singapore	Japan	US
Total number of Start-ups	10000	10000	4750	NA	NA	83000
Tech Based Start-ups	4300	3400	4000	NA	NA	48500
Non-Tech Based Start-ups	5700	6600	750	NA	NA	34500
Set Up a new Business (in days)	30-60	30	13	2	10	4
Corporate Tax Rate	34%	25%	26%	17%(100% Tax Exemption for Start-ups)	34%	39%
Bank Lending rate	10.3%	5.6%	3.9%	5.4%	1.2%	3.3%

**Source:** World Bank, News articles, Gov. Sites

## SCOPE OF START-UPS IN INDIA

India has declared 2010-20 as the Decade of Innovation. The Government has stressed the need to vocalize a policy to synergies science, technology & innovation and has also established the National Innovation Council (NIC). India is the 3rd largest eco-system in the world for start-ups after US, UK & Israel driven by an extremely young diverse and inclusive entrepreneurship.

India will reach the 2<sup>nd</sup> spot after the US as the growth rate of Start-ups is at high alarming rate. According to NASSCOM around 11,500 start-ups will come in the country by 2020, creating over 2.5 lakhs jobs approx. As a result the rate of Unemployment will also decrease. Angel investors and venture capital funding in India has hit its highest marks. Angel investors which is very popular in US ie. Silicon valley creating large number of start-ups are now showing their interest towards India.

## **STARTUP INITIATIVES IN INDIA**

- **E-BIZ Portal:** To boost young entrepreneurs and too make it easy to start your business. Budget 2015 has pitched for the wide spread usage of the recently launched e-biz portal. The portal integrates the regulatory permission at one source. The use of this portal helps entrepreneurs for faster clearance for setting up of business.
- **Mudra Bank:** Several entrepreneurs in the MSME Sector have often complained about lack of difficulty in getting finances to run their business. So this bank have been set up for providing finance for Microfinance to the required individuals. In April 2015, the government launched Mudra Bank to boost the growth of small businesses and manufacturing units. The newly formed Bank would provide a credit facility of up to INR 50,000 to small businesses, loan of up to INR 5 lakh to little bigger businesses and loan of up to INR 10 lakh to the MSME sector. The cabinet has approved the creation of a Credit Guarantee Fund for MUDRA loans. It is expected that the fund will guarantee loans of over INR 1, 00,000 crores to micro and small businesses in the first instance. Additionally, the government has set a target to provide a total loan of INR 1.22 Lakh cr. to promote new entrepreneurs and fund the unfunded businesses with the help of banks
- **Atal Innovation Mission:** Finance Minister in the Budget 2015 have launched the Atal Innovation Fund. (AIM). AIM will be an innovators promotion platform involving academics, entrepreneurs, and researches.

## **IMPACTS OF STARTUPS IN INDIA**

In recent times, start-ups have made a significant impact on the people's lives across the different facets of life. For example, cab aggregators like Ola have changed the way people used to travel either for personal or professional purposes. When it comes to buying household goods and lifestyle products, the likes of Flipkart, Myntra and Snapdeal have made a difference in the people's lives by offering quality goods at affordable prices, easy access to finance and easy return. When it comes to health sector, Practo has made a difference by assuring the way people can get the prior appointment and minimize the wait time in addition to providing the ratings of the doctors which helps in deciding whom to approach. Lenskart has been making an attempt to change the way people get their eyes tested and eyeglasses made. They offer free eye check-up and eyeglass test at consumers' door step, this provides a lot of convenience to the buyers. There have been numerous start-ups impacting the other walks of life, for example, Ask is an company offers the services like plumbing, technicians, and so on online and offline. Start-ups like nearby has been changing the way people used to go for dining as they bring the affordable offers which people book and take the coupons along-with them while going for dining. If we look at mobile recharge or bill payments, there has been numerous companies like Paytm, Freecharge, Mobwiki which are impacting the way people used to recharge their mobiles, DTH, electricity bills, and so on. Even the way people used to consume cinema has been changed by the companies like bookmyshow and many others. Start-ups have been also changing the way people used to buy furniture and other accessories as start-ups like Urban ladder, Pepperfry, Fabfurnish and Gozefo are making a difference. There has also been a change in the way people used to dispose their old goods, as web pages like olx and quickr have really empowered the consumers and augmented the customer to customer trade. Yet another start-up "OYO Rooms" has changed the way people used to book their accommodation by offering greater value to both property owners and the prospective customers. These change in the consumer behaviour have been brought by start-ups by offering better value to the consumers in comparison to existing

benefits. Start-ups have also impacted the lives of people indirectly by changing the rules of the game. Traditional businesses or businesses with traditional mind set are now under pressure. For example, the traditional mobile recharge points franchise by different companies are losing their business to the online recharge counterparts. Similarly, many traditional businesses like Banarasi sari weavers, Pochampally sari cluster, and so on are at the brink of change. If efforts could be made to skill them and connect them to the start-ups like Flipkart a huge amount of value can be created. Therefore, start-ups offer a ray of hope for bringing change to the lives of deprived section of society like farmers, traditional weavers and other traditional professions. However, not all offerings by start-ups represent higher value in absolute sense. The litmus test lies in retaining the gained customers, sustaining the growth and achieving profitability. A few start-ups like Tiny owl, Foodpanda, Askmebazaar and many others have been also in trouble due to their inability to sustain the value perception. However, it is very natural that with the increase in start-up formation rate, failure rates of start-up are also bound to go up.

## **CONCLUSION**

Many businesses start with a dream, but it takes more than just a dream for them to grow into successful businesses lot of obstacles and many challenges are faced by start-ups today. Start-ups take time, effort, and energy to grow into profitable and sustainable businesses. Funding is a major concern for start-ups and small businesses as availability of finance is a very crucial factor. In India southern part of the India has more hubs and they are performing well compared with northern side of India. And overall the performance of start-up is very good in Indian economy compared with other countries. Both government and private organisations are supporting start-ups to grow. which will reduce the unemployment rate in India.

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