

A STUDY ON ROLE OF INDIAN STARTUPS TOWARDS ECONOMY IN THE MODERN MILLENNIUM

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Abstract:

Startups, as emerging firms with significant growth potential, are important drivers of global economic growth, job creation, and innovation. Entrepreneur development programs are essential for equipping individuals with the skills and the resources needed to launch and run successful startups enterprises, thereby significantly contributing to socioeconomic growth. This research article analyses the growth of startups in India with respect to 5 parameters i.e. GDP (Gross Domestic Product), GNI (Gross National Income), Employment opportunities, number of Unicorn Startups and Unicorns on the basis of sectors. For the present study data is collected from secondary sources. In particular articles, newspapers and websites were referred. The data is collected for a 6 years period i.e. from 2016 to 2022 and is analyzed. From the analysis, it was found that startups role in the present scenario is tremendously resulting in fruitful growth towards the contribution of Indian economy.

Key words:

India, GDP, Unicorns, Employment, Wealth, Growth

JEL Classification: O1, O3, O4

1.0 Introduction

Startups are important drivers of economic growth. These new businesses frequently disrupt old industries, develop new markets, and increase economic activity by creating jobs, attracting investments, and increasing GDP. Startups rely on innovation to survive. Startup entrepreneurs are the forefront of developing fresh concepts and technologies. They propel innovation by solving unmet needs and developing game-changing solutions that impact industries and market places. Successful firms create money not only for their founders but also for their communities. They help local economies by investing in infrastructure, generating job opportunities, and encouraging an entrepreneurial culture.

1.2 Meaning

Startups are new businesses with exciting, novel ideas that are willing to take risks to make them a reality. They may appear insignificant and uncertain at first, but they have the potential to alter the way things work in the future. Startups are like daring dreamers striving to make a difference.

1.3 What makes company as a market ready startup?

1. A startup is mature when it has reaches certain crucial milestones
2. Product- Market Alignment
3. Long-term Revenue
4. A competent crew
5. User acceptance and adoption
6. Ensuring financial security
7. A distinct business strategy
8. Legal and regulatory compliance
9. An ideal brand reputation
10. Operational stability

Being “Startup-ready” varies per industry, but it involves having a strong foundation for long-term future growth and market adaptability.

1.4 Types of Startups in India

Startups in India operate in wide variety of industries.

1. Technology and software

Software development and information technology services

- Creation of mobile applications
- Machine learning and artificial intelligence

2. E-Commerce and Online Marketplace

Platforms for online retail and e-commerce

- food delivery services
- E-Commerce for fashion and lifestyle

3. Healthcare and Medical Technology

Telemedicine and internet healthcare platforms

- Startups in the field of health technology
- E-commerce for medical equipment and supplies

4. Payment gateways and digital wallets for example Fintech

- Platforms for peer-to-peer lending
- Startups in the insurance industry
- Platforms for financial advice and investing

5. Food and AgriTech

Food delivery service online

- Agritech startups that are primarily concerned with agriculture and farming solutions

2.0 Literature Review

1. **Sneha CJ, Vignesh B, and Dr. J. Krithika (2023)**, the research paper “Impact of Startups in Indian GDP In 2022” concluded that startups are contributing nearly 4-5% of GDP. And every year startup contribution is increasing. Due to new registrations of startups there is a positive impact on growth of startups. Because all the startups are getting success, there is very less failure, there is a positive impact on GDP.

2. **Dr. Neeta Tripathi and Dhruv Pratap Singh (2021)**, this paper “Indian Unicorns and Covid 19: An Assessment and Prospects” aims to evaluate the development and future prospects of Indian unicorns and explores the policy measures implemented by the government to encourage entrepreneurial spirit and strengthen the Indian startup scene.

3. **Gandhi, D., Batra, N. K., & Gupta, T. (2019)**, “Startup India: Opportunities and Challenges”. The paper studied that along with big fundraising rounds; young talent is increasingly engaging entrepreneurial initiatives that give rise to creative firms. Although market places continue to be the most profitable, other e-commerce areas, such as online grocers, hotel reservations, hotels, transportation, and so on, appear to be expanding.

4. **Sarkar and Abhrajit (2016)**, studied “Startup India - A New Paradigm for Young Entrepreneurs (A Conceptual Study)” The main objective of this analysis is about the initiative taken by Prime Minister Narendra Modi was “Start Up India, Stand Up India” the Startups can raise funds for their Startup.

5. **Sanghi, S., & Srija, A. (2002)**, “Entrepreneurship development in India-the focus on Start-ups”. The paper concluded that the startups are creating a lot of employment opportunities for the youth in India. And it is a positive sign because there are 75% of youth.

3.0 Need and Significance of the Study

Startups are playing a vital role in the present markets and resulting in individual growth & ultimately fetching towards higher growth in Indian Economy. In this context, this research is undertaken to study the recent growth i.e. from 2016 to 2022.

4.0 Objectives of the Study

1. To analyze the growth of Startups in India for a period of 6 years i.e., from 2016-2022.
2. To study the contribution of Startups towards economy and Startup scheme initiated by Prime Minister Shri Narendra Modi.

5.0 Research Methodology

5.1 Sources of data

a. Primary data

Primary sources involve the direct collection of information from individuals, events, or objects. Researchers collect information firsthand through methods such as surveys, interviews, observations, and experiments.

b. Secondary data

Secondary sources rely on information gathered by someone else for their own purposes. This information can come from a variety of sources, including published materials, databases, and reports.

5.2 Method of Data Collection

Data for the current study was gathered from secondary sources, specifically websites, newspapers and articles were referred.

5.3 Scope of the Study

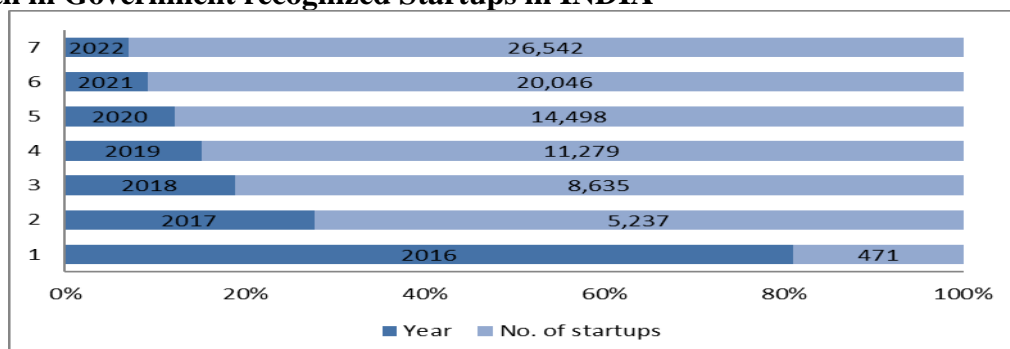
The present study covers 6 years data which includes growth, employment opportunities, GDP, GNI, and Unicorns.

5.4 Limitations of the Study

1. Only secondary data was focused in the research.
2. It considered only 5 parameters for the analysis.

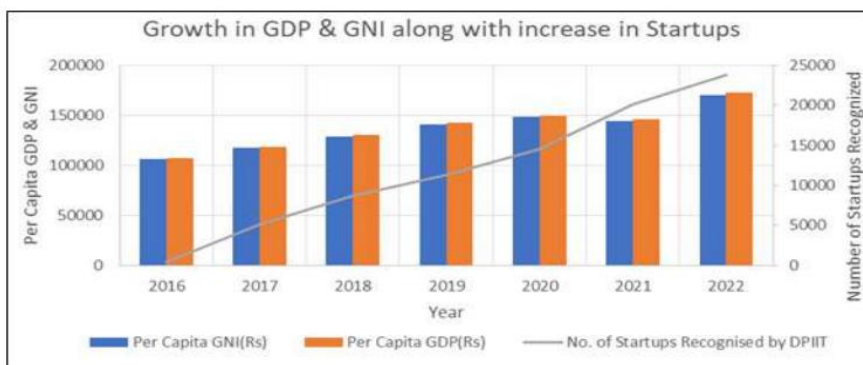
6.0 Data Analysis and Results

6.1 Growth in Government recognized Startups in INDIA



Interpretation: From the above graph, it is interpreted that there is a tremendous growth in Startups from 2016-2022 i.e. from 471 to 26,542 which is enhanced in number from hundreds to thousands.

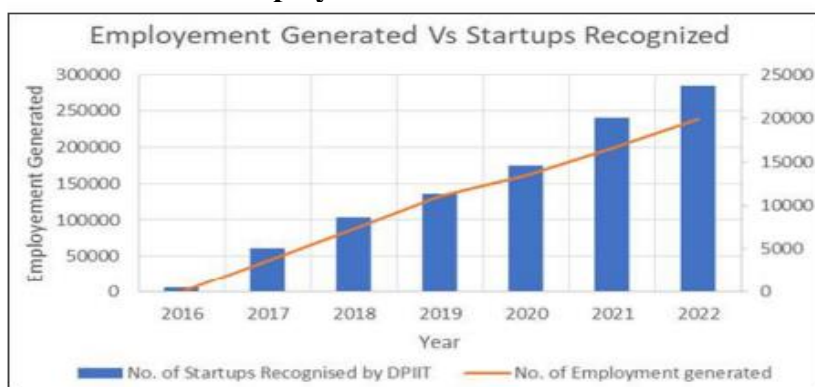
6.2 The Startups Contribution to GDP & GNI



Source: <https://www.statista.com/statistics/912576/india-msmes-contribution-share-to-gdp/>

Interpretation: According to the above graph, it is interpreted that the contribution of GDP and GNI along with number of Startups is rapidly increased between 2016 and 2022.

6.3 The Startups Contribution to Employment Generation

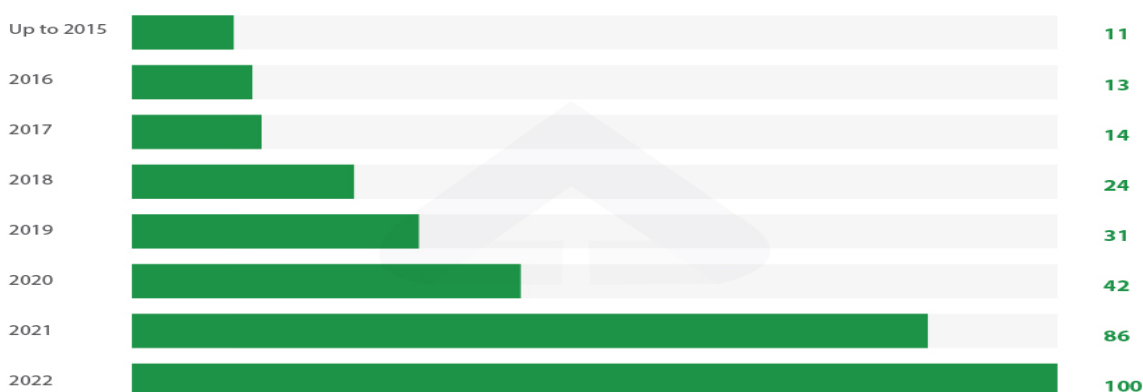


Source: <https://www.statista.com/statistics/1155602/india-start-up-recognized-businesses/>

Interpretation: From the above graph, it is interpreted that there is a simultaneous increase in the number of Startups and the employment rate. As a result of the Startup, job opportunities are expanding.

6.4 Emergence of Unicorn Startups in India

Cumulative Unicorn Count in India as of May, 2022



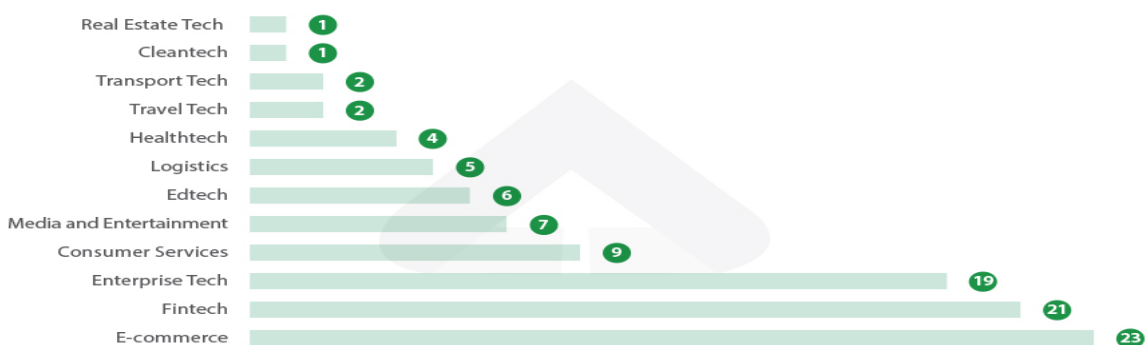
Graphic © Asia Briefing Ltd.

Source: <https://www.india-briefing.com/news/indias-unicorn-startups-sector-distribution-funding-ecosystem-global-comparison-25104.html/>

Interpretation: From the above statistics, it shows that more number of Unicorn Startups is emerged during the COVID period between 2020 and 2021 i.e. 44 Startups were increased.

6.5 An overview of all Indian Unicorns per sector is provided below

Sector-Wise Breakdown of Unicorns in India



Graphic © Asia Briefing Ltd.

Source: <https://www.india-briefing.com/news/indias-unicorn-startups-sector-distribution-funding-ecosystem-global-comparison-25104.html/>

Interpretation: From the above graphical representation, it shows that as of 23 firms had achieved unicorn status in India, with the majority of these companies belonging to the E-commerce sector and the financial industry, which has produced 21 unicorns overall, closely behind E-commerce.

6.6. Startup India Scheme

A scheme which was initiated by Honorable Prime Minister of India, Shri Narendra Modi on 16th January 2016 to promote entrepreneurship and support enterprises.

1. The scheme intends to simplify regulatory procedures and decrease the administrative load on Startups.
2. Startups can self-certify their eligibility using the Startup India platform.
3. Eligible Startups obtain income tax exemptions for three consecutive assessment years out of their first 10.
4. A fund of funds with the total money of Rs.10, 000 crores gives financial support to Startups.
5. The Startup India Hub is a digital platform for information, help and mentorship.

7.0 Findings

1. It was found that number of Startups has been increased from 2016 to 2022.
2. It is noticed that there is a significant increase in Creation of Employment opportunities.
3. It is observed that there is a growth in GDP & GNI and number of Startups.
4. According to the Economic Survey 2022 report, after the US and China, India now boasts the third-largest Startup environment globally. The number of Unicorn companies in India reached 83 in 2021 after a record 44 businesses in the country attained this status in 2021, the majority of which were in the services industry.

8.0 Suggestions

1. The Government should encourage Research and Innovation.
2. The Government should organize training programs for small Startups for their sustainability.
3. The youth should come with new innovative ideas according to the market needs to start the enterprises.

9.0 Conclusion

Based on the data presented above, it has concluded that the number of Startups registered with the government is increasing on a continuous basis, as there is a contribution towards GDP, GNI, Employment generation, and Unicorns. Startups are also increasing the employment rate. Narendra Modi has initiated a scheme for Startup funding; making it easier to obtain funding for a startup which adds towards the Indian Economy.

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