



## STARTUP NATION INDIA - FROM THE LAND OF JOB SEEKERS TO THE LAND OF JOB CREATORS

*Mnisha Shoor*

*Assistant Professor, Govind National College, Naragwal (PB), India.*

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### Abstract

*Where the innovations and change are the fundamental characteristics to compete with global startup ecosystem, India's massive funding, burgeoning domestic market and evolving technology has made it 4<sup>th</sup> largest startup after USA, UK, Israel and Canada. In 2014, the country had 3100 startups and expected to see more than 11500 startups by 2020. In 2014, startup ecosystem employed about 65000 people and number is expected to rise to 250,000 in 2020. A large pool of engineering talent, strong inflow of venture capital money and fast evolving consumer mindset all put together have fueled growth of startups in India. The state governments have launched large number of initiatives to build startup ecosystem. Cities like Bangalore, Ahmadabad, Delhi NCR are showing remarkable results with big angle investors funding them.*

### INTRODUCTION

Recent NASSCOM Report states that India is the fourth largest base for the businesses in the world with more than 3100 tech startups. The number is expected to rise to 11500 by 2020 and industry is expected to create about 250,000 jobs in next five years. The large domestic market, access to capital, whitespace opportunities and increased mergers and acquisitions activity are accelerating the growth of nation's startups.

The startups have access to multiple sources of funding like venture capital / private equity, angle investors, banks and financial institutions. Around US \$2.9 billion has been invested in Indian startups conceived between 2010 and 2014. In 2014 more than 70 venture capitalists and private equity firms sealed around 100 deals, with majority of the funding done in companies which are in the expansion. Ola and Snapdeal accounted for lion's share- with funding of US \$ 210 million and US \$ 627 million and US \$ 627 million.

NASSCOM has come up with ambitious initiative called "10,000 startups" aiming to scale up the startup ecosystem in India ten times supported by Microsoft, Google, Intel, Verisign and Kotak.

### OBJECTIVES

The research study is done using secondary data in order to achieve following formulated objectives:

1. To study the indicators showing India among top position holders in global startup ecosystem.
2. To study India's startup position in context with US, UK and Israel.
3. To study initiatives of respective state governments to make startup India.

The Indian startups ecosystem has already taken off and come into its own driven by factors such as massive funding, consolidation activities, evolving technology and an burgeoning



domestic market. It's a revolution. The numbers are rising from 3100 startups in 2014 to a projection of more than 11500 by 2020.

- India is the ninth largest GDP in the world with around \$ 2.07 trillion. When 70% of population still living in villages, a huge portion of GDP is coming from Tier I and Tier II cities, that means we still have huge potential trapped in villages.
- Seventeen finance companies received over \$ 290 million funds in 2015 showing great promise. With relaxed RBI guidelines, this is new avenue for startups to innovate.
- Indian railway is eighth biggest employer in the world with over 1.4 million people working under it. Certain problems like inefficient reservations, streamlining the process and catering can be looked as opportunities and can warrant startups of different scale.
- India is a home to 5.7 percent of the world's unicorns that valued at over \$1 billion. When compared to amount of funding available overseas, a very small portion of it is available to India and the amount is still growing.
- Snapdeal's valuation is much more than decade ago established companies like Vedanta or GSK or Grasim.
- India was ranked at 120 in 2008 and has slowed to 132 in 2014 and again improving to 130 in 2016- according to World Bank's Doing Business Report. This indicates improvement in building startup- friendly government.
- Eleven companies in the B2C commerce space received funding to the tune of \$3.377 billion, which also means that over 33 percent of the funding in 2015 was in these companies and 50 percent of these were unicorns.
- In 2014, Little Eye Labs was acquired by Facebook in 2015 and Zipdail was acquired by twitter with much support from government, we are going to see more of such startup acquisitions from India which further strengthen our technological process.

### **SUCCESSFUL STARTUPS OF INDIA**

Lot of startups in India have entered the industry either unearthing an entirely new market or through gaps in existing markets. Although there are many successful startups but here are five such that are growing rapidly and succeeding well.

#### **Housing.com**

In 2014, house hunting portal Housing.com raised a sum of \$90 Million from SoftBank, the Japanese telecom and internet giant. Their products like Slice View and Price Heat Maps emphasize their strong focus on Data & Analytics and will require a major share of the received funding. They even acquired Delhi- based Realty Business Intelligence for an estimated VSD 2.4 millions.

#### **Ola**

Ola announced raising \$400 million in its series E round of funding led by DST Global with participation from GIC, Falcon Edge Capital, and existing investors SoftBank Group, Tiger Global and Accel Partners US in 2015. From this amount, Ola has earmarked \$100 million towards expansion of the acquired TaxiForSure. While the range of services offered like Mini, Sedan, Prime, Auto-rickshaws, Taxis, and Café has continued to increase over the past years, Ola plans to further invest in localizing its offerings for the benefit of citizens.



### AdPushup

While ad networks are doing all the optimization inside the ad unit including targeting, relevance, creative optimization; No player has optimized the ad layout of the page. 'By optimizing the ad layout, AdPushup fights banner blindness, increasing the website's ad revenue from existing ad networks.

### Paytm

Paytm has revolutionized mobile commerce in India by boasting 80 million mobile wallets and more than 15 million orders per month,. It's a leading payment solutions provider to ecommerce merchants using its RBI approved semi-closed wallet, also its USP.

### Redbus

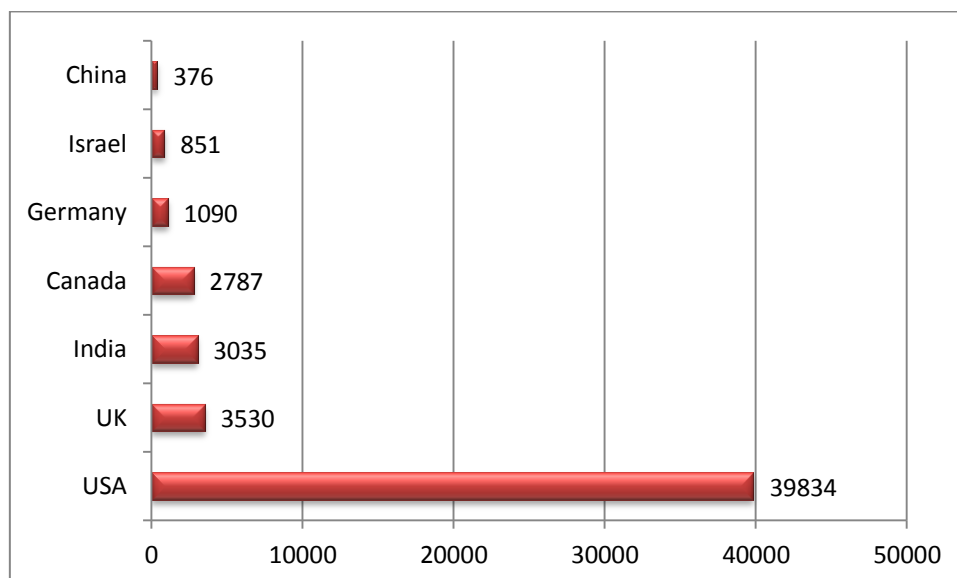
When an increasing number of consumers were booking tickets online for trains and flights a new startup gave birth to RedBus, now acquired by the ibibo Group for \$138 million.

## POSITION OF INDIA IN GLOBAL STARTUP SCENARIO

### A) Number of startups

In last decade, the Indian startup ecosystem has improved in number of ways like increase in number of investors of startup incubator centers and workshops. India has now emerged as third largest startup in global ecosystem with 3035 companies started in 2014. Of all the startups in ASIA, 40% originates from India.

Fig 1: Total number of start-ups (2014)



Source: Angle list, Zinnov.

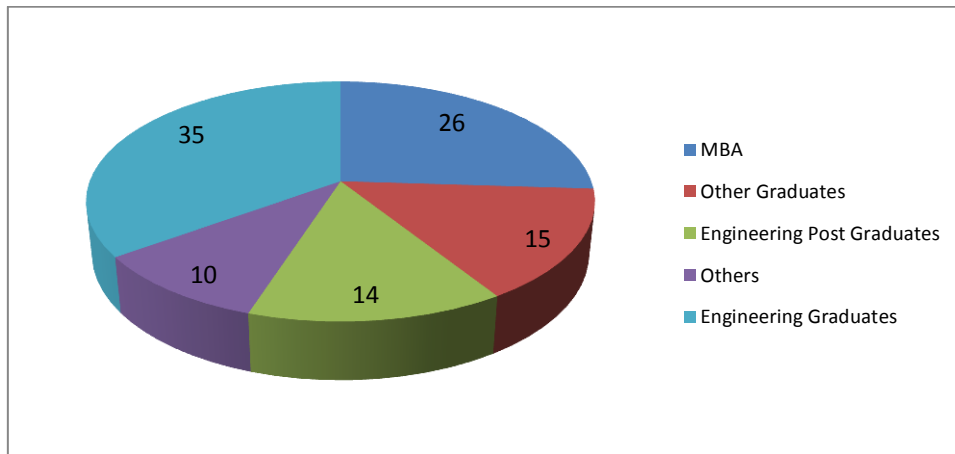
### B) Employment generation

Startups in US create about 3,000,000 million jobs every year. Further, without jobs created by startups, country's yearly employment growth graph would have been pessimistic. Only 3% jobs were created in 1980-2005.

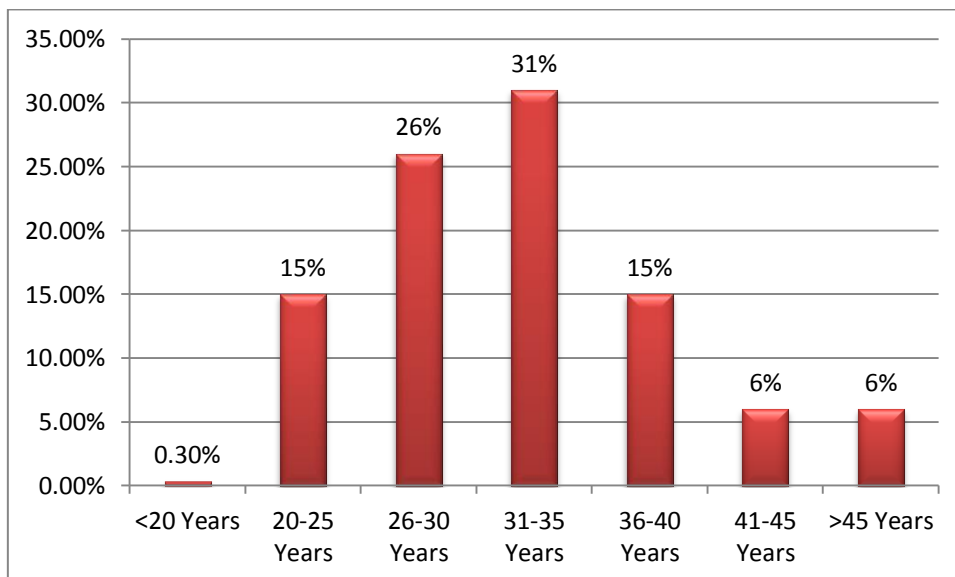


But now in India, 20,000 to 25000 jobs are created by startups every year. Young entrepreneurs dominate startup landscape with more than 73% of the founders under age of 36 years, while 48 percent of the founders have had Multi National Company work experience and 36% were engineers.

**Fig. 1: Represents percent share of founders of startups in Indian scenario on the basis of their academic qualification**



**Fig. 2: Represents percent share of founders of startups in Indian scenario on the basis of their age group**



V. Balakrishnan, Chairman, Exfinity Venture Partners said, “with the average age of founders being less than 30 years the startup ecosystem represents the confident, young and aspirational India.”

### C) VC investments

US lies at the top of list regarding the VC investments done in startups in 2013 while India lies at number 5 in the list related to investments. India lies little above Israel.



Table 2: VC investments done by world in 2013

Region	Invested Capital (US \$b)	Invested rounds	% change (amount invested)	% change (deals)	% of the global VC activity
US	33.1	3480	0.9%	4.6%	68.2%
Europe	7.4	1395	19.4%	5.7%	15.3%
Canada	1.0	176	14.4%	23.0%	2.1%
China	3.5	314	30.0%	20.3%	7.2%
India	1.8	222	12.5%	2.2%	3.7%
Israel	1.7	166	54.5%	17.7%	3.5%
<b>Total</b>	<b>48.5</b>	<b>5753</b>	<b>1.9%</b>	<b>0.2%</b>	<b>100%</b>

Source: Dow Jones Ventures Source, 2014

In 2014, India saw more than 70 active investors who did more than 100 deals. In 2014, an investment of about USD 1818 million was made in Indian startup with overall average size of deal of USD 7.7 million.

#### D) Global startups ecosystem index

Despite India is one of the fastest growing countries in the world still India ranks 140<sup>th</sup> in terms of nominal GDP. A study released by Startup Genome and Telefonica Digital (2012) exclaimed that Bangalore is the only India city to secure place in top 20 cities of the global startups ecosystem index. Silicon valley here occupies the top most position.

Table 3: The global startup ecosystem index

Ecosystem	Ranking	Startups output index	Funding index	Performance index	Talent index
Silicon Valley	1	1	1	1	1
Tel Aniv	2	2	1	12	5
Los Angles	3	4	6	2	3
Seattle	4	19	7	6	2
London	7	7	5	10	9
Toronto	8	6	9	3	10
Paris	11	14	13	4	17
Mascow	14	16	19	18	11
Bangalore	19	17	18	17	10

#### 1. State: Karnataka; City Bangalore:

Bangalore is the hub of IT innovation and startup ecosystem in the country. Initiates taken by Karnataka government are Karnataka New Age Incubation Network'





Karnataka government has approved INR 5 lakh each to all nine colleges to fund their projects to investigate and resolve local problems, plug-and-play space with internet access at a nominal rate of Rs. 5-15 per square feet for budding startups, future scheme of free incubation space for the first six months from the inception of the startup for women-founded companies. The NASSCOM has opened its warehouse in special economic zones (SEZ) to give subsidies.

**2. State: Kerala, City: Trivandrum**

Kerala government has started initiatives to promote entrepreneurship and encourage startup culture. Investment of 1% of the state's budget (approximately INR 500 crore) to be made to help and encourage the budding startups, formation of Kerala Institute for Entrepreneurship Development to encourage spirit of entrepreneurship among youth, building of incubation center for around 10,000 product based startups over the next 10 years.

**3. State: West Bengal; City: Calcutta**

West Bengal is the number one state in India in terms of acknowledgment achieved by micro and small scale Industries (MSME) sector. Together with IIM-Calcutta, West Bengal government is training government officials to reach each district to promote entrepreneurship and set-up an objective to generate 4000-5000 new entrepreneurs. It has started a single window website (i.e., [myEnterprise.wb.gov.in](http://myEnterprise.wb.gov.in)) to accept online all the applications, forms and also to provide information, formation of Enterprise Development Institute. NASSCOM has offered state government to establish incubation centre in Calcutta for young aspiring entrepreneurs.

**4. State: Maharashtra; City: Mumbai and Pune**

Mumbai is mainly Financial and entertainment capital of India but now Mumbai and Pune are gaining the status of technology and business hub. IIT-Bombay e-cell serves as one of the India's largest business incubator center formed by an educational institute, state government promotes MSME culture by providing many incentives such as power tariff subsidy, tax refunds and investing up to INR 5 lakh crores to generate employment for 20 lakh people, formation of 'Maharashtra Centre for Entrepreneurship Development' to offer different training programs on entrepreneurship and other sector centered programs such as like banking, agri-tech, food technology.

**5. State: Delhi; City: Delhi NCR**

Delhi NCR does not have much needed government support and policies to promote entrepreneurship and encourage startup culture. IIT-Delhi entrepreneurship cell runs many small informative programs on entrepreneurship and startup.

**6. State: Gujarat; City: Ahmadabad**

Gujarat government has set-up a 'Center of Excellence in Entrepreneurship & Technology' and started many incubation centers for promoting entrepreneurship and encouraging startup ecosystem. Young enthusiasts are getting picked-up at the college level to get trained and groomed at the next level. Non-profit institute in 1983 called Entrepreneurship Development Institute runs two year full time residential program.



IIM-A and Center of Innovation, Incubation and Entrepreneurship (CIIE) both are serving as a global platform for young entrepreneurs to flourish and grow.

### **OTHER ACHIEVEMENTS**

India's strategic geographical location is a boon to all solar energy companies in India and thus solar startups in India is on boom.

Hellion Venture Partners, has invested in solar power company Azure Power, which is successful solar power generating company in India operating, both in urban and rural areas.

MeraGoan Power (MGP), a Lucknow-based startup provide solar microgrid to provide 2 light bulbs and a mobile charging point to households that are currently without power.

In Kolkata, ONergy operates either renewable energy centres and provides a range of products, from solar lanterns and solar home systems, to solar power installations, in the process, reaching about 700 villages.

Solar Town Energy Solutions is Chennai based solar power product startup selling products ranging from Solar Home System, telecom tower grid products, building roof-tops, emerging parking-lots.

### **CONCLUSION**

According to the data available, more than \$7 bn has been invested in more than 600 startups in India in first three quarters of 2015. The number of a investors grow from 220 in 2014 to 490, reflecting a growth of about 123 percent over 2014 as suggest by report titled, "Start-up India- momentous rise of Indian startup Ecosystem". The number of accelerators/incubators in India grew by 40 percent to 110 in 2015 as compared to 2014. All these situations, indicates that startups in India have given rise to more startups. Enables, accelerators and incubators are firm providing startups with growth advice and decision making tools. From advising on government policies to act as market catalysts, they grow the maturity of young ventures. So India has enormous amount of energy, innovation and talent but we need to channelize in the right way, it can create an impact that can change future where nation lies at top position in global startup ecosystem.

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