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STARTUP INDIA: WHAT HAVE BEEN ACHIEVED SO FAR

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Abstract

In 2021 the Startup India initiative has completed 5 years, on 16th of January to be more precise. The main objective of this initiative is to build a strong ecosystem for promoting innovation and startups in the country. In addition, it would boost economic growth and create employments. 19-points action plan have been formulated under the Startup Action Plan to promote the Startup ecosystem. It can be said that due to number of legislative and administrative reforms in recent years and due to programs like 'Startup India' and 'Make in India' that India able to make large improvement in Ease of Doing Business Report (published by World Bank) India jumped from 130th (2016 report) to 63rd (2020 report). India has made some significant improvement in these five years in the Startup ecosystem, as per 2019 report by NASSCOM; India is world's third largest startup hub. The popular consideration that India has been facing the problem of jobless growth (especially after 1991 LPG Reforms) is also expected to be addressed through this initiative, as to shift to focus from job seekers to job creator. According to report by DPIIT 4.7 Lack jobs reported by 39000+ Startup in these 5 years. This paper has made an attempt to analyse the nature and significance of Startups in India in addition to the analysis of major achievements of Startups in last five years and the challenges that Startups are facing

Keywords: Startup India initiative, 19-points action plan, Startup Action Plan, Make in India, Ease of Doing Business Report, third largest startup hub, DPIIT, jobless growth.

1. Introduction

India is the second most populated country in the world only after China (Census 2011). Also, India has the second largest labour force again only after China. In 2020, there were nearly 501 million workers in India (wikipedia.org). If this large Labour force is not utilized in a effective manner, it will be nothing but burden for economy. There are four factors of productions, namely Land, Labour, Capital and Entrepreneur.

Labour is available in India in abundance but to get them employed there is need to establish the environment in which the entrepreneur can grow which in return boost the production (by generating employment) and so the GDP. The same large working population can be burden (problem) and the same can be

booster of high economic growth, employment is the factor that makes the difference. The culture of Entrepreneur growth is to make a shift from the job seekers to job creator.

1.1 Idea of Startups in India

Startup India program was officially flagged on 16th January, 2016 by Mr. Arun Jaitley, the then Union Finance Minister in line to give effect to the announcement made by Prime Minister Mr. Narendra Modi on 15th August 2015 at Red Fort. Government of India aimed to utilize the entrepreneur's intellects and Government's resources at its best to boost Economic growth with employment generation. It comprised of **19 action items** spanning across **three key areas** of '**simplification and handholding**', '**funding support and incentives**' and '**industry-academia partnerships and incubation**' (Department for Promotion of Industry and Internal Trade, Ministry of Commerce and industry).

2. Literature Review

Singh Shiwangi, Chauhan Akshay and Dhir Sanjay in their study titled "**Analyzing the startup ecosystem of India: a Twitter analytics perspective (2019)**" found that, as the key to success, Indian startup ecosystem is inclined toward digital technologies, concerned with people, profit and planet, with resource availability and information. This study classified the emotions of tweets as positive, negative and neutral. The study found that the Indian startup ecosystem has more positive sentiments than negative sentiments. Topic modeling enables the classification into clusters of the identified keywords. The study also concludes that the future of the Indian startup ecosystem is Digital India.

JAYANTHI DR. R. in his paper, titled "**A Study about Entrepreneurship in India and Its Promotion under 'STARTUP INDIA' Scheme(2019)**" has suggested that we need to create an environment where entrepreneurs feel confident, that they will not face any obstacles if they develop business models for the benefit of the poor. In India, various initiatives have been taken by the government from time to time for entrepreneurship development in the country. Entrepreneurship has attracted the attention of policymakers in India. A series of high-level initiatives, including Startup India, have been launched to promote private sector development. However, the role of entrepreneurship in Development remains a mystery for many policy observers.

Jain Surbhi in her paper titled "**Growth of startup ecosystems in India (2016)**" concluded that there is a requirement of a combination of friendly operational, regulatory and taxation issues that affects the working of business environment very much for Startup systems. In order to build an entrepreneurial environment, government, educational institutions and big corporate should come forward to provide a culture for startups in India. Mentor programmes, workshops, innovative essay competitions, seminars etc. should be organized by the government and universities. Overall India has a

very high scope for growth of startup ecosystems. India offers the largest pie of venture prospect that the world is eyeing.

3. Methodology of Research

Present study is of descriptive cum analytical nature. Secondary sources data has been used to collect the data. Major sources of data are various reports of Government of India's Ministry, journals and websites. The data and information gathered are both quantitative and qualitative in nature. All these data have been analyzed to prepare a overall report in line with the mentioned objectives.

4. Objectives

This research work is surrounding around the following determined objectives:

- To understand the nature and significance of startups in India
- To analysis the achievements of Startup India in 5 years.

5. Startup India: Nature and Significance

Under the Startup India initiative, DPIIT-recognised startups are eligible to avail a number of benefits from Government such as self-certification, access to public procurement relaxations, tax incentives, etc with fulfilling of certain specified conditions.

5.1 Definition of Startup

The definition of Startup has been and relaxed multiple times to make more potential entities apply for reorganisation as start ups and get benefited.

Any entity to be classified as a startup by Government, it needs to satisfy all the following conditions (Dated 19th February, 2019 notified by DPIIT)

1. It should register as any of the followings:

- Private Limited Company or One Person Company (under Companies Act, 2013).
- Partnership Firm (under Partnership Act, 1932).
- Limited Liability Partnership (under Limited Liability Partnership Act, 2008).

NOTE: Provided that such entity is not formed by splitting up or reconstruction of a business already in existence.

2. It has not completed ten years since incorporation/registration as above.

3. Its turnover in any of the financial years has not exceeded INR 100 Crore.

4. It satisfies any of the following conditions:

- It is working towards Innovation of new products/processes/services or Development of new products/processes/services or Improvement of existing products/processes/services
- It is a scalable business model with a high potential of: Employment generation or Wealth creation.

Entity which satisfies all the above conditions can apply to be recognized as Startup by Department for Promotion of Industry and Internal Trade (DPIIT) using startup India portal <https://www.startupindia.gov.in/> and avail all the benefits that the government uses to provide.

Startup India initiative has created a **three-pronged strategy**:

- To facilitate a common platform to connect the entire ecosystem while reducing information asymmetry
- To provide benefits and other necessary support
- To engage regional entrepreneurs in transforming their ideas into business ventures.

Under the provisions of this plan, startups were entitled to a number of benefits such as tax incentives including capital gains tax exemption, Governments' assistance in funding, prioritisation of startups in public procurement, etc.

Table 1 shows the spread of Startups across different sectors, under 10 heads and the highest proportion of Startups is under the head of 'Others', that is 37%. 20 % of Startups is in IT & ITES sector.

Table 1: Spread of Startups in different Sectors

Food and Beverages	3%
Consumer	3%
AI	3%
Education/Ed Tech	4%
IT and ITES	20%
Healthcare & Life sciences	11%
Finance Technology	9%
E-Commerce	6%
Logistics	4%
Others	37%

Source: 5-YEARS ACHIEVEMENT REPORT, DPIIT, Ministry of Commerce and Industry, Government of India

5.2 States' Startup Rankings

It was launched in April 2017, with the aim to harness strength of competitive federalism and to flourish the Startup ecosystem in the country. The states' Startup ranking is first of its kind. States; Startup Ranking for 2018 and 2019 have been released on 20 December 2018 and on **11th September 2020** respectively and the next edition (Ranking for 2020) is expected in 2021 to be announced.

Results of the Ranking Exercise were announced by DPIIT on 20 December 2018: **Gujarat** was rated the 'BEST-PERFORMING STATE' for the year. **Karnataka, Kerala, Odisha, and Rajasthan** were judged as 'TOP

PERFORMERS'. Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh and Telangana were ranked as 'LEADERS'. States identified as 'ASPIRING LEADERS' were Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh, and West Bengal. Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu, Uttarakhand were considered to be 'EMERGING STATES'. Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim, and Tripura were recognised as 'BEGINNERS'.

Results of 2019 Startup Ranking of states (on support of Startup ecosystem) were announced on 11th September 2020 in a virtual summit. For the purpose of evaluation, all States and UTs had been divided into two categories Category X and Category Y. Category X entailed States with a well-established startup ecosystem. Category Y included all UTs, except Delhi, and all states in North East India, except Assam.

Table 2: Results of 2019 Startup Ranking

CATEGORY-X				
BEST PERFORMER	GUJARAT			
TOP PERFORMERS	KARNATAKA		KERALA	
LEADERS	BIHAR	MAHARASHTRA	ODISHA	RAJASTHAN
ASPIRING LEADERS	HARYANA	JHARKHAND		PUNJAB
	TELANGANA		UTTARAKHAND	
EMERGING STARTUP ECOSYSTEMS	ANDHRA PRADESH	ASSAM	CHHATTISGARH	DELHI
	HIMACHAL PRADESH	MADHYA PRADESH	TAMIL NADU	UTTAR PRADESH
CATEGORY-Y				
BEST PERFORMER	ANDAMAN AND NICOBAR ISLANDS			
LEADERS	CHANDIGARH			
ASPIRING LEADERS	NAGALAND			
EMERGING STARTUP ECOSYSTEMS	MIZORAM		SIKKIM	

Source: 5-YEARS ACHIEVEMENT REPORT, DPIIT, Ministry of Commerce and Industry, Government of India

Table 2 shows, Gujarat (In Category-X) retain its BEST-PERFORMING STATE tag in 2019 as well, Karnataka and Kerala (In Category-X) have been again ranked as TOP PERFORMERS as were in 2018. But Odisha and Rajasthan have slept LEADERS rank.

STATES' STARTUP RANKING 2020 (UNDERWAY)

The 2020 (3rd of overall) edition of States' Startup ranking is expected to be released soon; the framework for the same has been launched in December 2020 itself. The Framework contains 7 broad reform areas - Institutional Support, Fostering Innovation and Entrepreneurship, Access to Market, Incubation Support, Funding Support, Mentorship Support and Capacity Building of Enablers - with 26 Action Points focused on specific outcomes.

6. Startup India: The progress so far

“Rise in Indian IT companies, large talent pool, increased expenditure income of Indian middle class and availability of capital has contributed to the growth of India's startup ecosystem. More recently increased usages of smartphones, access to the Internet, and recent reforms to push digital finance have given further impetus. There has also been a significant push from the Government through initiatives like Startup India and Digital India.” - As said by Taranjit Singh Sandhu (India's Ambassador to the US) at a mentoring programme for Indian National Startup Awards 2020 finalists.

On the other hand, “India continues to face some immense infrastructure problems, affecting entrepreneurs and startups such as Internet speed is low compared to most other countries, and power outages are frequent. Report suggested the government to improve the infrastructure.” - Startup Ecosystem Ranking Report 2020 by StartupBlink

The progress and achievements of India's Startup initiative (in 5 years) can be summarised in the following points:

- 41,317 startups has been recognised*
- 590+ districts have at least one Startup recognised*
- 45% of recognised Startups are from Tier-2 and Tier-3 cities**
- 44% of these Startups have at least one women director*
- 319 Recognised Startups have availed the benefit on Income Tax exemption under the provisions of section 80-IAC of the Income Tax Act**
- 169 Recognised Startups got the benefits of self-certification**
- 3422 Entities have availed the benefit of exemption under Section 56(2)(viib) of Income Tax Act**
- 4.7 Lack jobs reported by 39000+ Startup*

- Rs. 4509 Crore of investments made through Fund up Funds scheme in 384 Startup*
- 30 States and UTs have dedicated Startup policy*
- 319 eligible Startups have been granted exemption under 80-IAC of the Income Tax Act*
- 39 regulatory reforms enabled with the help of various ministries*
- 53226 orders have been received by Startups through Government e-Marketplace (GeM) portal worth Rs 2279 Crores *
- 37+ regulatory reforms have been undertaken by States and UTs*
- 2.8 Lack users enrolled in Startup India L&D program*
- Under Startups IP Protection scheme 510 Patent facilitators and 392 Trademark facilitators are empanelled**

* *5-YEARS ACHIEVEMENT REPORT, DPIIT, Ministry of Commerce and Industry, Government of India*

** *THE WAY AHEAD REPORT, DPIIT, Ministry of Commerce and Industry, Government of India*

6.1 India's Startup ecosystem at Global level

1. Taranjit Singh Sandhu (India's Ambassador to the US) at a mentoring programme for Indian National Startup Awards 2020 finalists, co-hosted by the Embassy of India, in partnership with DPIIT and US-India Strategic Partnership Forum (USISPF) on 4th January, 2021 said, "Today **India is the Third-largest Startup ecosystem in the world** and is home to **21 unicorns** valued \$73.2 billion (A *unicorn* is a term to indicate a privately held startup company valued at over \$1 billion). In 2020 India was among the top 50 innovative economies. Three cities- Bengaluru, Mumbai and NCR Delhi have changed the face of modern India and found a place among the famous Global Startup hubs. Cities like Pune, Hyderabad, Ahmedabad and Kolkata are counted among the emerging startup hubs."

2. Startup Ecosystem Ranking Report 2020 - Countries Global Ranking of Startup ecosystem:

Global innovation mapping and Research Company **StartupBlink** (it gathers local data of every country) rank countries 'startup ecosystem' on the basis of **quality of startup, business environment** and **the quantity** of the same. India had been ranked **17th in 2019** and has been ranked **23rd in 2020** out of 100 countries. Countries are ranked in terms of number of technology startups. The top rankers are US, UK and Israel respectively, while China is at 14th position.

Among the top 100 startup cities, only 4 Indian cities made their way, compared to 7 cities in 2019, Bengaluru at 14th, New Delhi at 15th, Mumbai at 22nd and Hyderabad at 96th.

3. In the **Ease of Doing business report of 2020** (published by World Bank), India has been ranked **63rd in 2020 report**, was at **130th position in 2016 report**. This report is being prepared based on 10 parameters. The area (parameters) of concern (which needs to be improved) flagged by report are: Resolving Insolvency, Paying Taxes, Enforcing a Contract, Acquiring Land and Trading across Borders.
4. According to **NASSCOM**, India is world's **third largest startup hub** (2019 report). Nasscom President Debjani Ghosh said, to stimulate innovation, government and corporates need to focus on increasing their role as prominent stakeholders playing the part of venture capitalists and providing the appropriate market access, funding, and guidance to seed stage startups.

Table 3: Ranking of Countries on share of billion dollar startups (unicorns)

RANK	COUNTRY	SHARE OF UNICORNS
1	US	64.7%
2	China	13.8%
3	India	4.1%
4	UK	2.5%
5	Singapore	2.2%
6	Sweden	2.1%
7	Germany	2.0%

(Source: USC Marshall School of Business, Centre for Global Innovation)

Table 3 shows the Ranking of Countries, based on the share unicorns. Unicorn is a startup company valued at over \$1 billion. US have been raked 1st position as it has 64.7% of unicorn situated. India has been ranked 3rd after US and China, with 4.1% of total unicorns situated.

8. Findings:

The major findings of the paper have been categorized in two heads i.e., Achievements and Challenges and are mentioned below.

1. ACHIEVEMENTS

- According to NASSCOM, India is world's **third largest startup hub** (2019 report).
- In the Ease of Doing business report of 2020, India has been ranked **63rd out of 190 countries**.

- Startup Ecosystem Ranking Report 2020 has been ranked **23rd in 2020** out of 100 countries.
- Some major achievements in the 5 years journey of Startup India Initiative are:
 - 41,317 startups has been recognised
 - 590+ districts have at least one Startup recognised
 - 45% of recognised Startups are from Tier-2 and Tier-3 cities
 - 44% of these Startups have at least one women director
 - 4.7 Lack jobs reported by 39000+ Startup

2. CHALLENGES

- Challenges from lack of funds to government assistance/interference are their (Bushra Begum).
- There is a lack of unambiguous and transparent policy motives, lack of communications sources, lack of knowledge and exposure. Startup systems require a combination of friendly operational, regulatory and taxation issues that affects the working of business environment very much (Surbhi Jain, 2016).
- Given the vibrancy and strength of an ecosystem, it is possible to assess its level of maturity and identify the stage of evolution for further promotion toward the ultimate stage of self-sustainability (Bala Subrahmanya, 2017).
- The areas were India need to work as per Ease of Doing business reports of 2020 to become more competitive in establishing global business environment are: Resolving Insolvency, Paying Taxes, Enforcing a Contract, Acquiring Land and Trading across Borders.

9. Conclusion

Startup India initiative has been launched with core objective to build an ecosystem, in which startups can be setup, innovate and excel without any barriers. To fulfill the objective government initiated 19-action plans such as Compliance regime based on self-certification, relaxed norms of public procurement for startups, Organizing startup fests for showcasing innovation and providing a collaboration platform, Annual incubator grand challenge, Building innovation centres at national institutes, Provision of funding support through a Fund of Funds with a corpus of Rs 10,000 crore, Tax exemption on capital gains, Tax exemption to startups for three years, Tax exemption on investments above fair market value, Faster exit for startups, etc. “Rise in Indian IT companies, large talent pool, increased expenditure income of Indian middle class and availability of capital has contributed to the growth of India’s startup ecosystem” (Taranjit Singh Sandhu, India’s Ambassador to the US- at a mentoring programme for Indian National Startup Awards 2020)

Although the achievements of Startup India Initiative looks quiet promising so far but there are number of challenges at the doorstep of future. The major

challenges highlighted in various reports and studies are, funding related issues, Insolvency is time taking (IBC), Logistic sector problems, skilled labour availability, energy sector issues, Acquiring of land, Paying taxes, Enforcing contracts etc. India has been ranked 23rd out of 100 countries in Startup Ecosystem Ranking Report 2020 (a drop from 17th position in a year) which needs to be looked and improved. As per NASSCOM report, only 4.1% of total billion dollar startups situated in India which really needs major improvement.

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Abbreviations

DPIIT: Department for Promotion of Industry and Internal Trade

IP: Intellectual Properties

UK: United Kingdom

US: United States

UTs: Union Territories