A Comprehensive Analysis of Assessing the Growth of Indian Startups

Thejaswini KA[1], Dr. Babu.V[2]
[1]*Assistant professor/research scholar, Department of Commerce, SJB College of Management studies, BGS Health and Education City, Bengaluru, Karnataka, India*
[2]*Professor, Department of Commerce, SJB College of Management studies, BGS Health and Education City, Bengaluru, Karnataka, India*

***Abstract*—The startup ecosystem in India has experienced significant growth over the past decade, driven by a combination of policy support, increased investment, and a thriving entrepreneurial spirit. This research article aims to assess the growth of Indian startups by examining key factors such as funding trends, policy initiatives, market dynamics, and challenges faced by entrepreneurs. This study's secondary data analysis methodology offers a robust framework for understanding the growth of Indian startups. By leveraging a wide range of credible sources, this approach provides a well-rounded perspective on the factors driving startup success, the influence of policy initiatives, funding dynamics, market conditions, and the challenges that need to be addressed to sustain growth in the Indian startup ecosystem.**

***Index Terms*—Indian startups, entrepreneurial growth, funding trends, policy initiatives, market dynamics, challenges, ecosystem**

I. INTRODUCTION

India has startup ecosystem emerged as the world second largest in the world next to the US. India has become a strong startup hub growing exponently. The state capitals such as Bangalore, Mumbai and Delhi list topper among the 40 startups destination hubs globally according to the Global Startup Ecosystem Report 2022 In 2021 alone, Indian startups have raised more than $23 billion, spread over 1000+ deals, with 33 startups entering the coveted unicorn club. So far, 2022 has added 13 more startups to the unicorn club. 7.1 percent startups concentrated in United States in the world and has emerged as the leading hub for startups. In fintech industry nearly 69 percent startups established as home business and 60% of the entrepreneurs involved in artificial intelligence as startups The current economic scenario in India is in expansion mode. The Indian government is increasingly enthusiastic about increasing the GDP growth rate from grassroots levels with liberal policies and initiatives for entrepreneurs like 'Make in India,' 'Start-up India,' MUDRA, etc. Recently, entrepreneurs have seen a rise in the country due to a boom in innovative ideas. By embracing innovation, start-ups can rise to the top of the market. Therefore, the study was conducted because of this kind of organic growth and improvisation in entrepreneurial development. In recent years, India has emerged as a leading start-up hub with a thriving ecosystem of entrepreneurs, investors, and support organizations. The Indian government has taken several steps to support and encourage start-up growth in the country, including launching initiatives like Start-up India and establishing a dedicated fund for start-ups.

'Startup' is usually an entrepreneurial venture, formed as a small business, is in the first stage of its operation, financed initially by its founders, which is designed to develop, grow fast, and scale up higher with its business model, which focuses on an innovative product, service, process, platform or solutions to address various business and economic problems about the target market, in which the founders strongly believe in. Often, startup companies use technologies such as the Internet, e-commerce, telecommunications, or robotics. Generally, startups have very high failure rates. Still, those with their best strategies and plans in place, innovative offers, and a perfect understanding of the environment and its trends can face the difficulties, scale higher, and grow into potential and big influential companies.

In India, the number of youngsters turning entrepreneurs or those thriving on an entrepreneurial

ambition is increasing exponentially yearly. India is the third-largest startup ecosystem in the World (NASSCOM, 2019). As Per the DPIIT, 27,916 startups in India were recognized in February 2020. Startups have played and continue to play a significant role in the growth, development, and industrialization of many economies worldwide. Globally, technology-based startup companies register in higher numbers than non-technology companies because of their growing importance in the new knowledge economy. Since the rate of generation and innovation in knowledge has become very fast, technological obsolescence has also become fast.

Consequently, the rate of mortality in startup companies has also gone up. There is a need for an entrepreneur not only to have the best idea and passion for pursuing his dream of startup entrepreneurship but also to have the best team, understand the potential market and competition, network with the startup ecosystem, understand the regulatory policies, and calculate the risk involved. Appropriate strategies must be framed for its long-term survival.

Start-up India: The Golden Opportunity for Youth Entrepreneurs

India has the title of the World's fastest-growing start-up country and is considered the "backbone" of India. Every January 16 "National Start-up Day is celebrated. The more the youth of the country grab this chance, the more they will be within reach of the Scheme, leading to more empowerment in the nation. India's youth are famous for their excellent skills, precise minds, and quality work. In India, the Youths have many innovative ideas but don't get the proper support to implement them accurately. To help the youth, the Indian government has started various schemes to transform the dream into a reality for youngsters. This Scheme has brought a comprehensive change in people's thinking, especially among youth, to emerge as changemakers, as earlier parents forced their children to do conventional studies.

Start-up India Benefits

IPR Benefits

To promote awareness and adoption of IPRs by start-ups and facilitate their protection and commercialization, Start-up India provides access to high-quality intellectual property services and resources.

- Fast-tracking of Start-up patent applications: The patent application of Start-ups is fast-tracked for examination and disposal
- A panel of facilitators to assist in filing IP applications: A panel of Facilitators is responsible for providing general advisory on different IPRs and information on protecting and promoting IPRs in other countries.
- Government to bear facilitation cost: The Central Government bears the facilitators' fees for any number of patents, trademarks, or designs that a Start-up may file, & Start-ups only bear the cost of the statutory fees payable.
- Rebate on application filing: Start-ups are provided an 80% rebate in the filing of patents vis-à-vis other companies. This helps them pay costs in the crucial formative years. A 50% rebate is also provided in the filing of Trademarks vis-à-vis other companies.

II. REVIEW OF LITERATURE

In their 2023 study titled "A study of the impact of the Startups India scheme on the Indian economy," Rajroop Singh Chahal and Abhishek Chahal noted that the Government of India introduced Startup India as its primary initiative to promote the startup culture and establish a strong and inclusive atmosphere for innovation and entrepreneurship in India. talented and intelligent youth to start their businesses rather than relying on employment, which shows a higher level of confidence in their capabilities. The startup concept is now in its nascent phase.. The primary obstacles encompass securing adequate funding, insufficient strategic planning, recruiting suitable personnel, navigating the regulatory landscape, and ineffective risk mitigation. Notwithstanding several challenges, startups in India are contributing well to the country's socioeconomic progress. The objective of the present study is to evaluate the impact of startups on the Indian economy. The study analyzes many texts from books, websites, journals, and other sources to determine the numerous challenges and complexities faced by startups in India.

In their paper titled "Start-up Schemes in India and Related Issues and Opportunities - A Review," Salauddeen Shaik et al. (2023) emphasized that the

Start-up India plan is a prominent initiative of the Indian government, operating under the Ministry of Commerce and Industry the Startup India initiative is designed to build a supportive environment that encourages innovation and design, drives sustainable economic growth, and creates employment opportunities. The primary goals of a start-up are to achieve autonomy as an entrepreneur and to generate employment opportunities for others, which requires a significant amount of perseverance and sacrifice. The presence of a large population, a significant proportion of income-generating institutions, well-educated teenagers with a technical background, dominance in the field of information technology, and high levels of Internet and mobile usage are some of the factors that have created the potential for growth of the startup movement in India.

In their study titled "Start-up India: Eligibility, benefits, and current scenario," Dilip Rasiklal Vahoniya et al. (2022) assert that Start-up India is an initiative designed to assist individuals with entrepreneurial aspirations by providing them with government support to realize their ideas and foster growth. The scheme initiated by the government to enhance entrepreneurship activity in the country. The eventual success of this Scheme will contribute to India's economic growth and strengthen the nation. The article primarily examines the criteria for businesses that qualify for startup status, the advantages of starting a firm, and the current state of startups in India and Gujarat. This document emphasizes the 124 schemes that fall under the Startup India Initiative.

According to David P et al. (2020), India is home to over 26,000 startups, making it the third-largest startup ecosystem in the world. These startups have received over $36 billion in funding over the past three years. Additionally, 26 "unicorns," startups at valuation of over $1 billion. The growth of the Indian startup ecosystem has been driven by private investments, such as seed, angel, venture capital, and private equity funds, together with technical assistance from incubators, accelerators, and the government. The government is establishing a conducive atmosphere through its prominent Startup India project, implemented in 2016. To promote a knowledge-based and digital economy, the Indian government is trying to establish ICT infrastructure and offer policy assistance for improved e-governance, investments, and technological innovation. These initiatives support entrepreneurship, stimulate economic growth, and facilitate research and higher education. Evidence indicates that the development of the startup ecosystem has primarily occurred in major cities and states with strong financial resources, particularly in IT-enabled industries such as e-commerce, transportation, and banking.

In their 2019 study titled "A study on growth and effects of start-up ecosystems in India," Vijaya Venkateswari K and Kshaya L **A** noted that India is a rapidly developing country in South Asia and ranks as the seventh largest country in terms of land area. A substantial population in India indicates a significant potential market and increases job demand. India is poised to surpass all other nations in the global arena in the future, thanks to the emerging trend of the next generation actively pursuing innovative ideas. These young entrepreneurs' establishment of small enterprises will undoubtedly enhance the Indian economy shortly. India is transitioning significantly towards adopting favorable startup regulations and creating an atmosphere conducive to business. India is a densely populated country with a growing demand, which has created a competitive atmosphere that necessitates the development of innovative systems. This report examines the expansion, potential, and impacts of Startup systems in India.

In their paper titled "Start-Ups Growth in India – Opportunities and Challenges," Deepti V and Sobha Rani T (2018) noted that in 2016 the Prime Minister established the Start-up India mission to position India as the next major start-up hub. In an unprecedented event in India's history, many influential entities have come together to support and enable the growth of start-ups worldwide. Over the past several years, the Indian start-up ecosystem has experienced significant growth despite encountering various obstacles. The young, energetic entrepreneurs have shown a remarkable inclination towards adopting a play-to-win mentality. Start-ups can be categorized into two primary types. An innovator initiates a project or idea from scratch, typically introducing groundbreaking concepts that have not been previously considered. Creating these types of start-ups can be quite intricate,

but they often see remarkable growth once formed. The second category of start-ups we commonly observe is those that do not aim to create something entirely new or revolutionary. They are incorporating a traditional sauce into a new dish to create something novel and inventive. Regardless of the type of start-up, Indian start-ups have unique problems and promising chances. This report extensively examines the challenges and opportunities encountered by first-generation entrepreneurs.

III. OBJECTIVE OF THE STUDY

- To ascertain the growth of start-ups in India to enhance economic employment.
- To ascertain and examine entrepreneurship's role and effects on overall economic growth.

Hypotheses of the Study:

H_{01}: There has been no substantial growth or development of start-ups in India.

Research Methodology

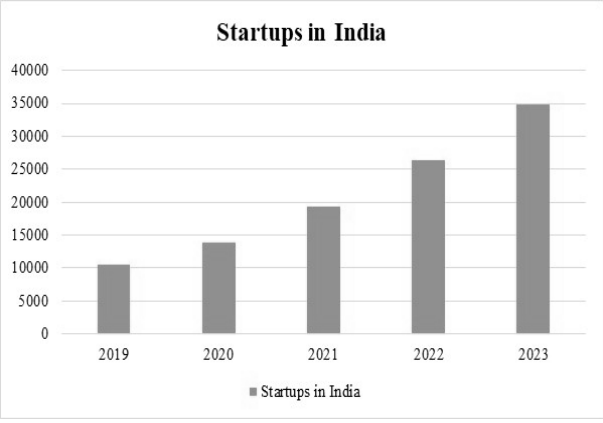
This study utilizes a secondary data analysis approach to assess the growth of Indian startups. Secondary data were collected from various reliable sources, including industry reports, government publications, academic articles, and databases from organizations such as the Indian Private Equity and Venture Capital Association (IVCA) and Nasscom. The methodology focuses on a comprehensive review and synthesis of existing data to draw insights into the factors driving the growth of startups, the role of policy initiatives, funding trends, market dynamics, and the challenges entrepreneurs face in India. Documents and publications from the Government of India, including policy briefs, program guidelines (such as the Startup India initiative), and economic surveys, were analyzed to understand the policy landscape and governmental support mechanisms available to startups. Graphical representation was used to visualize the number of startups, employment generated, and funding received. Data analysis was done using SPSS, and Regression analysis was used to test the hypothesis.

Data Analysis

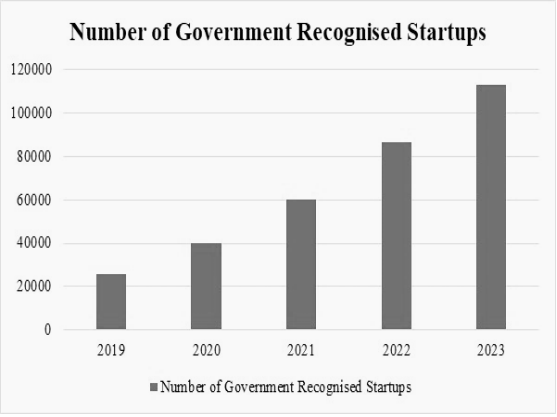
Table 1: Start-Up Statistics

Years	Startups in India	Number of Government Recognised Startups	Employment Generated through Startups	Startup Funding Across India (in billion USD)
2019	10604	25618	123071	13.41
2020	13798	40116	151196	11.37
2021	19371	60162	194565	38
2022	26330	86704	266461	25.2
2023	34779	1,12,718	390512	11.3

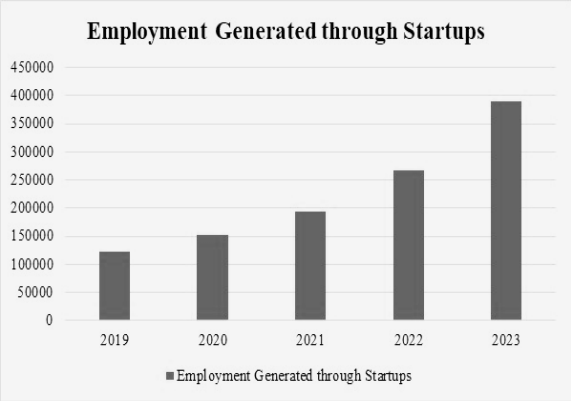
Source: NASSCOM (2019-2023)



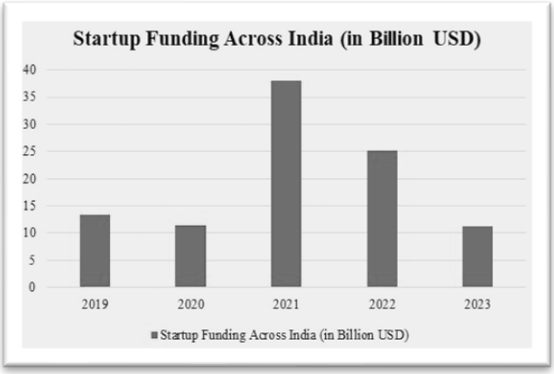
Graph 1: No of startups in India



Graph 2: No. of Govt. Recognized Startups



Graph 3 Employment Generated through Startup



Graph 4: Startup Funding Across India

The table presents data on the growth of startups in India from 2019 to 2023, highlighting the total number of startups, government-recognized startups, employment generated through startups, and the total startup funding across India in billion USD. The total number of startups and the startups recognised by government has now grown exponentially from 2019 to 2023, showing a rapid transformation in entrepreneurial ecosystem. The employment generated by startups has shown a remarkable increase, underscoring startups' critical role in job creation and economic development. Funding disbursement for startups has raised significantly in 2021 and followed fluctuations in the later years. This variability suggests a dynamic investment environment influenced by broader economic trends and investor sentiment. The increasing number of government-recognized startups suggests growing support from the government, which may include policy measures, incentives, and programs designed to nurture and sustain startups. Despite fluctuations in funding, the overall trend is one of significant expansion and increasing contribution to the economy, particularly in employment. Continued government support and a favorable investment climate will be crucial for sustaining this growth trajectory in the coming years.

Testing of Hypothesis

H_{01}: There has been no substantial growth or development of start-ups in India.

H_1: There has been significant growth or development of start-ups in India

Table 2: Regression Results between Startups in India and Employment Generated

Dependent Variable: Employment Generated

Variable	Coefficient	Standard Error	t-value	Sig.
Constant	-2981.846	19280.856	-.155	0.887
Startups in India	10.876	0.849	12.816	0.001
No. of Observations = 5 ; R^2 = .882 ; F value = 164.25				

Independent Variable: No. of startups

Dependent Variable: Employment generated through Startups

Source: Output from SPSS

Table 2 shows the regression between the dependent variable, employment generated through Indian startups, and the independent variable, startups in India. The R^2 value of 0.882 indicates that the number of startups in India explains approximately 88.2% of the variability in employment generated. This suggests a strong explanatory power of the regression model. The F-value of 164.25 tests the overall significance of the regression model. Since the significance level of .001(p-value) is less than 0.05, the model is statistically significant, indicating that the independent variable (number of startups) reliably predicts the dependent variable (employment generated). The regression analysis reveals a statistically significant relationship between the number of startups in India and the employment generated. This finding suggests

that, in the sample period analyzed, an increase in the number of startups is associated with a rise in average employment per startup. This could indicate various underlying factors such as the types of startups being more technology-driven and requiring fewer employees or other economic factors influencing employment patterns. There has been substantial growth or development of start-ups in India. Hence, the null hypothesis was rejected and the alternative hypothesis was accepted.

IV. CONCLUSION

The Indian startup ecosystem has shown remarkable growth and resilience, contributing significantly to the economy through innovation and job creation. While the journey is fraught with challenges, the collective efforts of the government, investors, and entrepreneurs are paving the way for a robust and dynamic startup landscape in India. With continued support and strategic interventions, Indian startups have the potential to drive substantial economic growth and innovation, positioning India as a global leader in the startup arena. The evidence presented in this study supports the hypothesis that there has been substantial growth or development of startups in India. While significant progress has been made, continued efforts are required to address the challenges and create an enabling environment for startups to thrive. With the proper support and strategic interventions, Indian startups have the potential to drive substantial economic growth and innovation, positioning India as a global leader in the startup arena. The findings of this study have several important implications for policymakers. To sustain and further accelerate the growth of startups, it is crucial to continue refining and implementing supportive policies that address the evolving needs of startups. This includes enhancing infrastructure, streamlining regulatory processes, and fostering a culture of innovation and entrepreneurship. Policies to improve access to funding and talent development and reduce bureaucratic hurdles can further bolster the startup ecosystem.

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