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IMPACT OF STARTUPS ON SUSTAINABILITY OF INDIAN ECONOMY

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ABSTRACT

Developed countries are now looking towards rapid growth and brilliant nations such as India to knock the enormous idle budding in these markets. In the modern years, different nations are rewarding different initiatives to link up their businesses with the Indian startups. India's ample population base is feasible to serve as a huge talent for the country in the coming 10 to 20 years which makes the country economically sustainable. There is more scope in Indian Economy for starting new entrants in different fields which gives a glance possibility for startups in India in current scenario and future (2025) scenario. International investors have in progress look towards India as a gracious investment target. Indian startups are proving to be the key tool for diverting a huge portion of overseas wealth into the Indian economy. All this encouraged Government of India to take initiation to announce start-up India Initiation. In this paper an attempt to discuss the current scenario for startups initiation and schemes offered by Indian Government.

KEY WORDS: Sustainability, Indian Economy, startups, Current scenario.

INTRODUCTION

Tech startups are principal for the expansion of startup epoch and it is ready to make better returns generated by IT-BPM sector by almost 12-14 per cent for the recent financial year as well. It is projected that the e-commerce market of India will nurture by more than 50% within the next five years. In the recent years, different countries are taking different initiatives to link up their businesses with the Indian startups. Developed nations are now looking towards quick rising and talented nations such as India to tap the titanic unexploited potential in these markets. In the recent years, different countries are taking different initiatives to link up their businesses with the Indian startups. India's masses base is probable to serve as an enormous talent for the country in the next 10 to 20 years. The country is balanced to become the world's youngest country by 2020 with populace pyramid is expected to hump transversely the 15-64 age bracket over the next decade, growing the working age residents from approximately 761 million to 869 million during 2011-2020. The chances and challenges that startups and expansion companies are providing today is really enormous. A batch of mid/senior level managers who could not take a hazard early in life due to responsibilities feel happy about it today after having made a great amount of savings and looking at the support that

the startup ecology in India is bearing in mind. One of the boldest things that startups have done is to go behind some of the best ability in the globe. If reports are to be believed, in the last six to twelve months, between 120 and 150 high-status executives have returned to India from the Silicon Valley wooed by Indian startups for their Valley knowhow. In the months to come, these high-profiles are expected to help lure the next level of aptitude to India.

NEED FOR THE STARTUPS

Previously i.e. before Start-Up India initiative the Start-ups in India have faced two major threats. One is government apathy, corruption and a complex approvals process. The other is the power of entrenched corporate, to oppose or kill start-ups which challenge them. All the time more a trend is being observed where more and more mid-level officials are quitting comfortable and routine jobs at big firms to work for startups. Startups are not only offering challenging assignments but with lot of funding happening in the space are also able to provide with huge reward packages including stakes and equity in start-ups, or milestone-linked compensation packages making startups a very attractive value proposition for people looking for additional challenges. The hazard associated with whether the startup succeed or fails always remains but with good packages and a lot of challenging opportunities available to people who have proven themselves in the startup environment, more and more people are ready to take the leap. These challenges and initiations for startups encouraged to make an attempt through this paper entitled '**Impact of Startups on Sustainability of Indian Economy.**

OBJECTIVES OF THE STUDY

1. To review the growth and performance of different Multi National Companies.
2. To discuss the schemes offered by Indian Government to Startups.
3. To identify the factors which influence the economic sustainability of India.

EXPANSION OF INDIAN INDUSTRIES: India has more and more opportunities for three basic sectors i.e. primary, secondary and service sectors because of huge marketability with population growth. India attracting the Multi National Companies to start their business in this place where they get talented people with more intelligent and innovative. The Table-1 reveals the growth number of employees in four big IT sector companies Apple company employees were increased 6 times in the year 2015 when it compare it from the year 2004, where as it was increased more than 67 times at Google Technology, in Infosys it was 3.58 times and at Microsoft near to 1.29 times. With this it is concluded that there is more scope for technical and industrial development in India because of population and availability of infrastructure.

Table-1: EMPLOYEES IN TOP TECHNICAL COMPANIES

Company	2004	2015	Increase in Times
Apple	11700+	98000+	6
Google	800+	55000+	67
Infosys	35000+	160400+	3.58
Microsoft	56000+	128000+	1.29

Source: <http://yourstory.com/2015/02/economic-survey-technology-india/>

Table-2: MARKET CAPITAL AT INITIAL PUBLIC OFFER

Company	Amt./Year	Amt./2015
Apple	1.6 billion/1980	626billion
Google	23billion/2004	374billion
Infosys	318billion/1993	374billion
Microsoft	500million/1986	384billion

Source: <http://yourstory.com/2015/02/economic-survey-technology-india/>

DEVELOPMENT OF INVESTMENT: In Mixed economy at india there is much scope for attracting the investment, the Indian liberalized policies gives more scope for private participation and the globalised policies of out countries attracting more investors form the world. All this shows a good growth in Initial Public Offer (IPO). Table-2 focus on investments on top 4 technological companies, it reveals the growth rate are in Apple company the market capital at initial public offer was more than 690 times from the year 1980 to year 2015, it was 15.26 times in Google to the year 2015 from the year 2004, it was 0.17 times at Infosys from 1993 to 2015 and at Microsoft it was changed from millions to billions. With this it is concluded that the Indian Market attracting all investors to invest in Indian Industries. This leads to develop our economy to a higher level.

Table-3: INVESTORS IN THE INDIAN STARTUP

Sl.No.	Name of the Company	Startup-deals
1	Helion venture partners	14
2	Sequoia Capital	13
3	Blume ventures	13
4	Kalaari Capital	12
5	Accel partners	11
6	Matrix partners	11
7	Tiger Global	10
8	IDG ventures	7
9	Softbank	4
	Total	95
	Average(Rounding)	11

Source: Yourstory.com

GROWTH IN START-UPS: The development of service sector in India encourages more number of start-up companies in India. The new Investors are looking forward for the opportunities to bring out their creative and innovative ideas bring into being in different sectors Table-3 reveals the new entrants entered into Indian Market recently the different industries initiated in establishing their set-ups, the total number of startups of 9 major companies in was 95 and the average of 11. With this it is concluded the scope for the new entrants is more in our country.

Table-4: Cumulative Investment in startUp

2014(jan.-Apr)		2015(jan.-Apr)	
company	Cumulative Investment(\$)	company	Cumulative Investment(\$)
Nexies ventures	\$73m	Tiger global	\$269m
Kalaari Capital	\$45M	sequoia capital	\$208m
IDG Ventures	\$19m	steadview capital	\$107m
Helion ventures	\$17m	Softbank	\$57m
Accel partners	\$16m	accel partenrs	\$23m

Source: venture intelligence

M=Million

Cumulative Investment in startUp: The scope of startup encourages the Indian stock market for the IPOs(Initial Public Offer) which revealed through Table-4 that the cumulative investment in startups was increased in the years 2014 and 2015 in different industries.

Table-5: POTENTIAL ADOPTION OF EMPOWRING TECHNOLOGIES IN INDIA

Adopted technology	Current estimates	Aspirations for 2025
Mobile Internet users	100-130 Million	700-900 Million
Potential cloud user enterprises	2 million	20 million
Smart phone users	60 million	700-900 million
Retail establishments accepting	0.6 Million	6-7 million

digital payments		
Financial and Non-financial linked to verifiable digital identity	1%	100%
Number internet connected devices	NA	2-10Billion
No. of cities with smart transport	5	50
Storage cost per MW hours of energy	\$300	\$80

Source: venture intelligence

POTENTIAL ADOPTION OF EMPOWRING TECHNOLOGIES IN INDIA: There is more scope in Indian Economy for starting new entrants in different fields Table-5 gives a glance possibility for startups in India in current scenario and future (2025) scenario. Foreign investors have in progress look towards India as a complimentary investment destination. Indian startups are proving to be the major tool for diverting a vast portion of foreign wealth into the Indian economy.

All this statistics encouraged Government of India to take initiation to announce start-up India Initiation under this policy the Government declared schemes for motivating the people to open new startups with their creative and innovative ideas which helps in the development of the country, also provide self employment to them and give chance to increasing employment opportunities with in the country.

Indian Prime Minister Mr. Narendra Modi has announced the Start-Up India initiative in his Independence Day address in August 2015. The Department of Industrial Policy and Promotion (DIPP) is spearheading the initiative and is expected to start working closely with banks to kick-start the government's Start-Up India initiative in both rural and urban India. Under the initiative, DIPP is expected to start working with banks across the country, especially in rural areas. "If each of these (bank) branches gives tribal or Dalit population something to start up with, it would take the whole startup and innovative India thought to district level," Ms Nirmala Sitharaman has said. DIPP is also working on ways to reach out to the urban educated and the deprived section of the society to build entrepreneurship. "All over the country, youngsters are coming up with ideas of entrepreneurship. They don't have time to wait, we don't have time to lose," Ms. Sitharaman said that the commerce minister said there is a need for greater participation of industry in driving ahead the movement of Skill India.

Start-Up India Initiative: 'SETU Fund', SETU (Self-Employment and Talent Utilization) an incubation hub in order to fashion chances for creating own-employment and new jobs mostly in technology related areas, '**e-biz portal**', The entrance integrates 14 rigid permissions at one starting place, '**MUDRA Bank**', (Microfinance Unit Development Refinance) MUDRA, MSME sector have repeatedly complained about complexity in getting finances to run their business. Often, while applying for loans, these companies are asked for large collaterals by the banks, which made their business unsustainable and this Mudra Bank system shows solutions to all entrepreneurs about their financial needs, '**Atal Innovation Mission (AIM)**', It is an modernization sponsorship policy involving academics, entrepreneurs and researchers, all can meet one place to brainstorm their ideas to get best solutions for rebuilding Indian industries for economical sustainability, '**Royalty Tax**', In a tender to permit superior access to use latest technology for their company through payment of 10 to 20 percent of tax by entrepreneurs, '**Startup Network**' (**start-up hub**), creates an environment for supporting young-looking entrepreneurs through a certified network of incubators, accelerators and mentors that would help set up, develop and calm down novel businesses, with an substance on social enterprises and commercial version of grass-root level innovations. The network that would include institutions like the IIMs, IITs, Indian Institute of Science, research parks and industry bodies,

is being steered by the Ministry of Skill Development and Entrepreneurship as a 'high-impact scheme' to spur job creation. The new startup network would also bring on board existing entrepreneurship promotion initiatives such as the National Science & Technology Entrepreneurship Development Board (set up in 1982 under the Ministry of Science and Technology) and the National Institute for Entrepreneurship and Small Business Development under the aegis of the Ministry of Micro, Small & Medium Enterprises, Government Funds, There are various government and semi-governmental funds, grants and other initiatives to help startups & Smart Cities And Digital India Opportunity, it aims to create about 100 smart cities in India is expected to require services in waste management, clean energy, traffic organization, internet accessibility, transport solutions, smart grids, education, e- governance, healthcare and hygiene and more. This is a positive move in simplifying the registration process, **'The Digital India'** proposal mainly concentrate to connect rural areas with high-speed internet networks and likely to open up enormous opportunities for SMEs in India, **'Self certification'**. The start-ups will take up self-certification to condense the dictatorial liabilities. The self-certification will apply to laws including payment of gratuity, labour contract, provident fund management, water and air pollution acts, **'Patent protection'**. A fast-track system for patent examination at lesser expenditure is being conceptualized by the central government. The system will promote attentiveness and adoption of the Intellectual Property Rights (IPRs) by the start-up foundations, **'Rebate'**, A rebate amount of 80 percent of the total value will be provided to the entrepreneurs on filing patent applications, **'Rs. 10,000 crore Fund'**, The government will develop a fund with an initial corpus of Rs. 2,500 crore and a total corpus of Rs. 10,000 crore over four years, to sustain upcoming start-up companies. The Life Insurance Corporation of India will play a major role in developing this corpus. A committee of private professionals selected from the start-up industry will manage the fund, **'National Credit Guarantee Trust Company'**, A NCGTC is being conceptualized with a budget of Rs. 500 crore per year for the next four years to support the flow of funds to start-ups, **'No Capital Gains Tax'**, At present, investments by venture capital funds are exempt from the Capital Gains Tax. The same policy is being implemented on primary-level investments in start-ups, **'No Income Tax for three years'** Start-ups would not pay Income Tax for three years. This policy would transform the speed with which start-ups would grow in the future, **'Tax exemption for investments of higher value'**, In case of an investment of higher value than the market price, it will be exempt from paying tax, **'Building entrepreneurs'**, To put up entrepreneur culture in coming generation this scheme campaign the Innovation-related study plans for students in over 5 lakh schools. Besides, there will also be an annual incubator grand challenge to develop world class incubators, **'Research parks'**, The government plans to set up seven new research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus, with an investment of Rs. 100 crore each, **'Entrepreneurship in biotechnology'**, The government will further establish five new biotech clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio-connect offices in the country, **'Legal support'**, A panel of facilitators will provide legal support and assistance in submitting patent applications and other official documents, **'Easy rules'**, Norms of public procurement and rules of trading have been simplified for the start-ups, **'Faster exit'**, If a start-up fails, the government will also assist the entrepreneurs to find suitable solutions for their problems. If they fail again, the government will provide an easy way out, **'fund-of-funds'**, The Rs.10,000 crore 'fund-of-funds' is a significant financial commitment by the Government under the Action Plan. It is set to start with Rs. 2,500 crore initially with the amount set to recur for 4 years. This mega fund will not directly invest in start-up ventures. Instead, it will do so via SEBI registered venture funds. This fund will contribute a maximum of 50 per cent of the daughter fund size, providing a significant boost to the corpus of investments that start-ups have access to. It is important that this corpus is not managed by Politicians or bureaucrats, but smart, savvy fund managers who have a track record on investing. On the cost saving side, an 80 per cent rebate on patent filing costs alongside an exemption from having 'prior-experience' to be eligible

under the public procurement process are steps taken to promote tech-based start-ups in particular. While tax incentives, cost saving measures and funding support will undoubtedly drive up investment into innovative start-ups it is essential that the government not lose sight of non-tech start-ups. It should make special provisions to ensure that this support structure extends to the agriculture, manufacturing, and handicrafts sectors & 'Ease of doing business', waiver from labour inspections for 3 years Now, anyone who has run a business and navigated the maze of bureaucracy understands the quagmire that labour laws can be, especially for a start-up. It exempts start-up from inspection under a fixed number of labour laws -six to be specific.

ECONOMIC SUSTAINABILITY: All above schemes helpful in motivating the investors to start new companies which are helpful in making Indian Economy more sustainable by:

1. Promoting Self- employment opportunities.
2. Improving standard of living of India people.
3. Provides more employment opportunities.
4. Encourages Exports. (Leads to foreign currency).
5. Lessening Imports. (Saves foreign currency).
6. Creates synergy.
7. Helps in development technology.
8. Proving chance to utilize Optimum resources.
9. Development of infrastructure.
10. Growth of GDP.

CONCLUSION: The Indian economic policy environment must be favorable for organizations to achieve efficiencies in present international market. It should facilitate the entrepreneurs to provide a mysterious stroke to an organization, whether in public or private or joint sector, in achieving rapidity, elasticity, innovativeness and a strong sense of autonomy. They bring a new vision to the front position of economic growth of the country. The study of startups has relevance today, not only because it helps entrepreneurs better fulfill their personal needs but because of the economic contribution of the new ventures. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place.

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