

Startup Ecosystem in India

In May 2022, India surpassed a historic milestone of 100 unicorn startups with a combined worth of more than \$300 billion. According to the **Global Startup Ecosystem Index 2021** by Startup Blink, India is ranked number 20 out of the top 100 nations. This article covers information pertaining to the unicorn startups in India, important initiatives taken by the government to aid the emerging entrepreneurs, impact of the growing startup ecosystem in India etc.

Why in the news?

In the radio broadcast "**Mann Ki Baat**," India's Prime Minister highlighted how the country's unicorn startups have generated income and value despite the COVID-19 pandemic. He said that as of May 5, 2022, there were **100 unicorns** in the country. He emphasised that smaller cities and towns are also producing entrepreneurs and expanding the startup environment in India beyond the major metropolitan areas.

Meaning of Unicorn Startup

- Unicorns are startups with a valuation of **\$1 billion** that are **privately held** and funded by **venture capitalists**.
- A unicorn's distinguishing characteristics include **uniqueness** in the concept, the potential to **disrupt the market** and **high level of technology**.
- A unicorn's valuation is a **notional value** based on the growth potential as perceived and assessed by the key investors who fund and support a startup, cash flow availability, etc . This value is something of a sentiment-driven play by investors because it has nothing to do with the revenues, earnings, or any other benchmarks utilised in any traditional firm. Therefore, not every unicorn will turn out to be a hugely successful startup.
- The unicorns in India are active in a variety of sectors, including **e-commerce, fintech, education technology, and biotechnology**.

A list of some of the unicorn startups in India is given below:

List of Unicorn Startups in India		
S.No.	Name of the Company	Sector
1	Open Financial Technologies	Fintech - Neo Bank
2	Games24x7	Gaming
3	CredAvenue	Marketplace - Lending

4	LivSpace	Interior Design - Modular Kitchens & Home Products
5	Mamaearth	D2C - Personal Care
6	LEAD School	Edtech
7	Upstox	Fintech - Brokerage
8	CureFit	Healthtech - Wellness
9	Blinkit^	E-Commerce - Groceries
10	FirstCry	E-Commerce - Baby Care Products

Important Facts about Startups in India

- India has the **third-largest** startup ecosystem in the world and is predicted to expand by **12 to 15 percent** annually year over year (YoY).
- In the midst of the pandemic in 2021, India established a record-breaking **44 unicorns**.
- Currently, the Indian unicorn firms have a **higher average yearly growth rate** than those in the United States and the United Kingdom.
- Venture capital company **Sequoia** has emerged as the most active investor in the nation's start-up ecosystem after investing in 39 unicorns, followed by **Tiger Global**, which has stakes in 27 potential unicorns.
- **IT services** made for the highest percentage of the 66,810 recognised startups, or 12 percent, according to Ministry of Commerce and Industry data (as of March 28, 2022), followed by **healthcare and life sciences firms**, which had a 9.3 percent share. **Education** comes in third with 4,457 startups (6.7% share), followed by the professional and business services sector and the agriculture industry.
- A maximum of **44, 11, and 7 Indian unicorns** were born each year in **2021, 2020, and 2019**, respectively, according to **Invest India**, the government's National Investment Promotion and Facilitation Agency.
- In **States' Startup Ranking 2021**, Bihar, Andhra Pradesh, Mizoram and Ladakh were adjudged to be India's '**Emerging Startup Ecosystems**'.

Terms Associated with Startups

What are Decacorns?

A startup that has achieved a valuation of **more than USD10 billion** is called a decacorn. Examples: Swiggy, BYJU's, Flipkart and Nykaa

What is a Hectocorn?

The startups with **over \$100 billion valuation** are known as hectocorns. Examples include Google, Microsoft, Amazon etc.

Impact of the Growing Startup Ecosystem in India

The growing startup ecosystem in India has positively impacted the economy, however, there are sectors that are yet to be tapped fully by entrepreneurs. The positive impact and issues associated with the startup ecosystem in India are given below.

Positive Impact

- It has led to a **decline in regional entrepreneurial disparities**. The training, networking and mentoring facilities provided by the government through initiatives like [Startup India](#) has provided opportunities to emerging entrepreneurs from small towns and villages.
- A healthy startup ecosystem has fostered a culture of **innovation** in the country.
- It has **increased** the rate of value creation and economic development in India.
- It has generated new employment opportunities for the workforce.
- A conducive startup ecosystem has aided in further improving India's international competitiveness.

Issues

- There is **under-representation of marginalised caste groups and women** in the startup ecosystem in India.
- The startup ecosystem in India is **still mostly confined to Tier 1 cities**.
- Since 2015, there is a decline in the number of new startups being launched in India.
- Only three industries account for about **28%** of India's recognised startups: IT services, health/life sciences, and education. The sectors like sports, waste management, arts and photography, logistics etc. have attracted very few entrepreneurs.
- With the level of competition rising, startups are increasingly finding it difficult to show business growth.
- Many startups fail because they are unable to secure external funding or employees with the right skills.

Government's Initiatives to Bolster the Startup Ecosystem in India

The Government of India through its ministries and departments has introduced various schemes and mechanisms to improve and strengthen the startup ecosystem in India. Some of the important initiatives include:

Important Initiatives taken by the Government of India to Bolster the Startup Ecosystem	
National Initiative for Development and Harnessing Innovations (NIDHI)	Make In India program
Startup India	Atal Innovation Mission (AIM)
Startup India Seed Fund Scheme	States' Startup Ranking
Start-up Accelerators of MeitY for product Innovation, Development and growth (SAMRIDH) Scheme	DESH-Stack e-portal
Pradhan Mantri Mudra Yojana (PMMY)	Venture Capital Assistance Scheme
Stand Up India	National Startup Awards
Support for International Patent Protection in Electronics and & Information Technology (SIP-EIT)	Multiplier Grants Scheme (MGS)
Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	NewGen Innovation and Entrepreneurship Development Centre
Small Business Innovation Research Initiative (SBIRI)	Promoting Innovations in Individuals, Start-ups and MSMEs (PRISM)
A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)	eBiz Portal
Digital India BHASHINI	Digital India GENESIS
Chips to Startup (C2S) Programme	National Single Window System

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Future of the Startup Ecosystem in India

The future of the startup ecosystem in India is bright if sufficient support is provided to the emerging startups and entrepreneurs. The following points should be considered to strengthen the startup ecosystem and continue the growth story:

- With the **right mentoring and funding from investors**, the startup ecosystem can further expand in India.
- The corporations and governments should focus on **capacity building** to foster innovation and entrepreneurship in India.
- Further support from the government will help emerging entrepreneurs, especially from small towns and villages to connect with angel networks, venture capital funds, banks, incubators, accelerators, universities, research & development institutions etc.
- More incentives should be given to entrepreneurs who launch their startups in **Tier 2 and Tier 3 cities** so that they can catalyze development in such cities and regions.
- More incubators should be set up in various districts in India.
- There should be impetus for **skilling, reskilling and upskilling** the workforce so that they can meet the growing demands of emerging startups.
- Identifying niche sectors and untapped markets that have a potential to grow will aid the expanding startup ecosystem.
- The government should **reduce the constraints** that hamper entrepreneurship and provide a support system so that a startup can become and remain successful in the long run.