

Why Many Indian Start-ups are Registered Overseas

The International Financial Services Centres Authority (IFSCA) has formed a committee led by G Padmanabhan, a former executive director of the Reserve Bank of India, to address the concerns of Indian startups based overseas and encourage them to relocate to Gujarat's [GIFT City](#). This initiative aims to attract more startups to the region.

Read more about this news item and the possible reasons for many Indian startups registering abroad. This is a topic relevant for the [IAS exam](#) economy segment.

Why are Indian Startups located outside India?

- According to the [IFSCA](#), a significant number of India's unicorns (companies with a valuation of at least \$1 billion) are Indian startups that are incorporated outside of India, despite having the majority of their market, personnel, and founders based in India.
- The IFSCA noted that this trend of "externalized" or "flipped" startups is prevalent in India's startup ecosystem, which is the third-largest in the world with 115 unicorns.

The probable reason for the incorporation of India's Startups outside are:

- **Access to larger markets:** Startups may choose to locate outside of India to access larger markets, particularly in countries with more advanced economies.
- **Access to funding:** Startups may choose to locate outside of India to access greater funding opportunities, particularly from venture capital firms based in Silicon Valley or other tech hubs.
- **Regulatory challenges:** Startups may face regulatory challenges in India, particularly in industries such as fintech and e-commerce, which can make it difficult for them to operate and grow.
- **Talent acquisition:** Startups may find it challenging to attract and retain top talent in India due to competition from larger companies and a limited pool of skilled workers.
- **Taxation and business environment:** Startups may find the taxation and business environment in other countries more favourable, particularly in terms of ease of doing business and government support for entrepreneurship.

Terms of reference of the committee:

- To determine the necessary measures that will encourage Indian fintech firms and startups based overseas to relocate to GIFT IFSC.
- To identify the critical issues that need to be addressed to develop GIFT IFSC as a global fintech hub.

- To promote a global perspective among new fintech firms and encourage them to establish their commercial presence in GIFT IFSC.

Conclusion:

- In recent years, India has emerged as a leading hub for startups, with a thriving ecosystem that has produced numerous successful ventures across various industries.
- The country's startup scene has been fueled by a combination of factors, including a large and growing middle class, a tech-savvy population, and a supportive government policy environment.
- Despite some challenges, such as regulatory hurdles and a shortage of skilled talent, Indian startups have demonstrated tremendous potential and are poised for continued growth in the years ahead.
- With the government's ongoing efforts to promote entrepreneurship and innovation, as well as the emergence of new technologies and business models, the future looks bright for startups in India.