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## IMPACT OF STARTUPS ON INDIAN ECONOMY

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### **Abstract:**

*Startups have emerged as key drivers of job creation, innovation, and technology adoption in India, and are contributing to the growth and development of new industries and sectors. They are also attracting significant foreign investment, helping to diversify the economy, and fostering a culture of entrepreneurship in the country. Additionally, startups are addressing social and environmental challenges, collaborating with established businesses, and receiving support from the government through various initiatives and programs. Overall, startups are playing an increasingly important role in the Indian economy, with the potential to contribute significantly to its long-term growth and sustainability.*

**KEY WORDS-** *Startup, Ecosystem, Innovation, Growth, Investment,*

## **INTRODUCTION**

A startup is a company or organization that is in its early stages of development, typically characterized by a small team, a novel business model, and a focus on innovation and growth. Startups often operate in a dynamic and fast-paced environment, with an emphasis on agility, experimentation, and rapid iteration of ideas and products. They are often associated with the technology industry, but can also operate in other fields such as healthcare, finance, or energy. The goal of a startup is to create a sustainable business model that can grow and scale over time, often with the aim of disrupting existing industries or creating entirely new ones.

## **STARTUP PROGRESS IN INDIA**

India has emerged as a vibrant startup ecosystem in recent years, with a growing number of entrepreneurs, investors, and government initiatives supporting innovation and growth in the sector. According to the National Association of Software and Services Companies (NASSCOM), India is home to over 50,000 startups, making it the third-largest startup ecosystem in the world after the United States and China. As of August 2021, Indian startups had raised over \$10 billion in funding in the first eight months of the year, surpassing the total funding raised in all of 2020. The number of Indian startups that have reached the unicorn status (i.e., companies with a valuation of over \$1 billion) has grown from 8 in 2018 to 52 in 2021, according to data from CB Insights. Bengaluru, Mumbai, and Delhi-NCR are the top three startup hubs in India, accounting for over 50% of the total startup ecosystem in the country, according to NASSCOM. The technology sector dominates the Indian startup ecosystem, with over 40% of startups operating in this sector, followed by e-commerce, fintech, and healthcare, according to NASSCOM. According to a report by KPMG, the Indian startup ecosystem is expected to grow at a CAGR of 12-15% over the next five years, and is expected to create over 10

million jobs by 2030. These data points highlight the significant growth and potential of the Indian startup ecosystem, as well as the increasing interest and investment in the sector.

The Indian startup ecosystem has seen significant progress in areas such as e-commerce, fintech, healthtech, edtech, and agritech, with companies such as Flipkart, Paytm, Zomato, Byju's, and Ola leading the way. India has also seen a rise in the number of deep-tech startups focused on emerging technologies such as artificial intelligence, blockchain, and robotics.

The Indian government has launched several initiatives to support startup growth, including the Startup India program, which aims to provide funding, mentorship, and regulatory support to startups. The government has also set up a Rs 10,000 crore (\$1.3 billion) fund to support startups in the country.

Despite the progress, Indian startups face several challenges, including access to funding, regulatory hurdles, and a lack of skilled talent. However, the continued growth of the ecosystem, along with the increasing focus on innovation and entrepreneurship, suggests that India's startup journey is likely to continue on an upward trajectory in the years to come.

## **GOVERNMENT INITIATIVE FOR START UP IN INDIA**

The Indian government has launched several initiatives and programs to support and encourage startups in the country. Here are some of them:

- **Startup India:** Launched in 2016, the Startup India program aims to provide funding, mentorship, and regulatory support to startups. It offers a range of

incentives such as tax exemptions and fast-tracked patent examination to eligible startups. Stand-up India aims to promote entrepreneurship among women and marginalized communities. It offers loans and other financial support to eligible startups run by women and SC/ST entrepreneurs

- **Atal Innovation Mission:** Launched in 2016, the Atal Innovation Mission (AIM) aims to promote innovation and entrepreneurship among students, researchers, and entrepreneurs in India. It provides funding, mentorship, and other support to startups through various programs such as Atal Incubation Centers and Atal Tinkering Labs.
- **National Initiative for Developing and Harnessing Innovations:** Launched in 2017, the National Initiative for Developing and Harnessing Innovations (NIDHI) aims to support startups and entrepreneurs through various initiatives such as NIDHI Accelerators, NIDHI Centers of Excellence, and NIDHI Prayas.
- **Electronics Development Fund:** Launched in 2012, the Electronics Development Fund (EDF) aims to support innovation and entrepreneurship in the electronics and IT sectors. It provides funding and other support to eligible startups, with a focus on electronics manufacturing and design.
- **Make in India:** Launched in 2014, Make in India aims to promote manufacturing and entrepreneurship in India. It offers incentives such as tax exemptions and simplified regulatory processes to encourage startups to set up manufacturing units in the country.
- **SIDBI Startup Mitra:** SIDBI Startup Mitra is an initiative by the Small Industries Development Bank of India (SIDBI) to support startups through a network of incubators and accelerators across the country. It provides access to mentorship, funding, and other resources to help startups grow.
- **Digital India:** Launched in 2015, Digital India is a flagship initiative by the Indian government to promote digital infrastructure and connectivity across



the country. It aims to create a conducive environment for startups by promoting digital literacy, e-governance, and digital payments.

- **India Aspiration Fund:** The India Aspiration Fund (IAF) is a Rs 10,000 crore (\$1.3 billion) fund launched by the government to support early-stage startups in the country. The fund invests in sectors such as agriculture, healthcare, and education, and provides funding to startups through a network of venture capital funds.
- **Biotechnology Ignition Grant:** The Biotechnology Ignition Grant (BIG) is a funding program launched by the government to support early-stage biotechnology startups in India. It provides grants of up to Rs 50 lakhs (\$67,000) to eligible startups for research and development activities.
- **TIDE 2.0:** Technology Incubation and Development of Entrepreneurs (TIDE) is an initiative by the Ministry of Electronics and Information Technology to support startups and entrepreneurs in the electronics and IT sectors. TIDE 2.0 aims to provide funding, mentorship, and other support to startups through a network of incubators and accelerators.

These initiatives and programs demonstrate the Indian government's commitment to creating a supportive ecosystem for startups in the country. By providing access to funding, mentorship, and other resources, these programs are helping to drive innovation and entrepreneurship across a range of sectors, and are contributing to the growth of the startup ecosystem in India. These initiatives and programs have helped create a supportive ecosystem for startups in India, and have contributed to the growth of the sector in recent years.

## IMPACTS OF START UP ON INDIAN ECONOMY

Startups have had a significant impact on the Indian economy in recent years. Here are some of the key ways in which startups have contributed to the growth and development of the Indian economy:

- **Job creation:** Startups have been a major source of employment generation in India, particularly in the tech and e-commerce sectors. According to a report by Nasscom, Indian startups created over 60,000 jobs in 2020, despite the challenges posed by the COVID-19 pandemic.
- **Innovation and technology adoption:** Startups have played a crucial role in driving innovation and technology adoption in India. Many startups are focused on emerging technologies such as artificial intelligence, blockchain, and robotics, and are driving the development of new products and services.
- **Investment and funding:** Startups have attracted significant investment and funding from domestic and international investors, which has helped to fuel growth and expansion in the sector. According to data from Venture Intelligence, Indian startups raised over \$10 billion in funding in 2020, despite the challenges posed by the pandemic.
- **Contribution to GDP:** Startups have contributed to the growth of India's gross domestic product (GDP) through their contribution to job creation, innovation, and investment. According to a report by NASSCOM, the Indian startup ecosystem is expected to contribute \$1 trillion to the country's GDP by 2025.
- **Regional development:** Startups have helped to drive development and growth in regions outside of India's major urban centers. Many startups are based in smaller cities and towns, and are helping to create new opportunities and economic growth in these regions.

In summary, startups have had a significant impact on the Indian economy, driving job creation, innovation, and investment, and contributing to the growth of the country's GDP. As the startup ecosystem continues to grow and mature in India, it is likely to play an increasingly important role in the country's economic development.

## IMPORTANCE OF STARTUP IN INDIAN ECONOMY

Startups are important to the Indian economy for several reasons. Here are some key reasons why startups are significant to India's economic growth:

- **Job creation:** Startups are major drivers of job creation in India, particularly in the technology, e-commerce, and service sectors. According to a report by NASSCOM, the Indian startup ecosystem created over 60,000 jobs in 2020 alone. Startups also provide employment opportunities to young people, who are a significant portion of India's population.
- **Innovation and technology:** Startups are engines of innovation and technology adoption in India. Many startups are focused on emerging technologies such as artificial intelligence, blockchain, and the Internet of Things, and are creating new products and services that help to address existing gaps in the market.
- **Economic growth:** Startups are significant contributors to India's economic growth. They have the potential to create new industries and disrupt existing ones, leading to the growth of new markets and sectors. According to a report by NASSCOM, the Indian startup ecosystem is projected to contribute \$1 trillion to India's GDP by 2025.
- **Foreign investment:** Startups have attracted significant foreign investment into India, which helps to strengthen the country's economy. Many startups have been successful in attracting venture capital investment from both domestic and foreign investors, which has helped them to scale and expand their businesses.
- **Regional development:** Startups are contributing to the development and growth of regions outside of India's major urban centers. Many startups are based in smaller cities and towns, and are creating new opportunities for economic growth and development in these regions.
- **Entrepreneurship culture:** Startups are fostering a culture of entrepreneurship in India. They are inspiring young people to take risks, pursue their passions, and start their own businesses. This is helping to create a new generation of

entrepreneurs who are contributing to the growth and development of the Indian economy.

- **Diversification of the economy:** Startups are helping to diversify the Indian economy by creating new industries and sectors. They are not only focused on technology and e-commerce, but also on healthcare, education, agriculture, and other areas. This diversification is important for the long-term sustainability of the Indian economy.
- **Social impact:** Startups are also having a positive social impact on the Indian economy. Many startups are focused on solving social and environmental challenges, such as healthcare access, education, and sustainable agriculture. By addressing these challenges, startups are helping to create a more equitable and sustainable society.
- **International trade:** Startups can play an important role in international trade, as they often develop innovative products and services that can be exported to other countries.
- **Collaboration with established businesses:** Startups are collaborating with established businesses to create new opportunities and drive innovation. This collaboration is helping to bridge the gap between traditional businesses and startups, and is contributing to the growth and development of both.
- **Government support:** The Indian government has recognized the importance of startups to the economy, and has launched several initiatives and programs to support them. These include the Startup India program, which provides funding, mentorship, and other resources to startups, as well as tax incentives and other benefits.

In summary, startups are important to the Indian economy for their potential to create jobs, drive innovation and technology adoption, contribute to economic growth, attract foreign investment, and promote regional development. As the



startup ecosystem continues to grow and mature in India, it is likely to become an increasingly important contributor to the country's economic development.

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