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Role of Indian Startups in Achieving $10 Trillion Economy

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Abstract

Emerging economies are economies of emerging nations that become more engaged with the global markets as they grow. Emerging economies are low-income, rapid-growth countries that use economic liberalization as their primary engine of growth. They are characterized by an increasing market orientation and an expanding economic foundation. Among the nations which have been identified as the upcoming economies, India is currently leading the pack along with China. India has many advantages when compared to other emerging economies. The young population of India is one of its major strengths. The majority of the Indian population being within the age of 35 is an advantage for the country. The Indian government has an ambitious project of becoming a 5 trillion-dollar economy by 2024 and a 10 trillion-dollar economy by 2030. For this ambitious project to succeed, Indian businesses must play a major role. Both established business and emerging organizations' contributions will be crucial for the economy. The current paper analyzes the role of emerging organizations, i.e., startups, in achieving the 10 trillion-dollar economy. The paper examines the status of startups currently and what role they should play in the economy of the future. Startups are a new breed of emerging organizations. The study analyzes the current literature on startups and the role they should play in the economy to achieve the 10 trillion-dollar economy.

Keywords: Startups, startup India, emerging economy, economy, employment generation, FDI

INTRODUCTION

Some magic happens at the beginning of a startup, but only the founders witness it [1]. The startup, as a young innovative company, has a dominant and key role in modern economies [2]. Startups play an important role in the development of an economy. In an emerging economy as India, startups must contribute to the development of the economy if the 10 trillion-dollar dream has to be breached by 2030. Kaushlendra Singh Sengar, Founder and CEO of Advisorymandi.com, opines, "With the channelization of investment from developed economies to an economy like India which possesses a lot of potential due to its untapped markets, Indian start-ups can help achieve the ambitious mark" [3].

The major sectors in which the startups have been established are Ecommerce, B2B, Consumer Internet, Mobile Apps, Engineering, and Construction to name some [4]. Startups are emerging at a fast rate, but the mortality rate is also high [5]. But these startups are contributing to the development of nations in multiple ways. They are innovating, generating employment, creating wealth, bringing in foreign investments in India, etc.

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STARTUPS AN INTRODUCTION

Innovation starts with a novel idea and concludes when the product or service is introduced in the market. The innovation process occurs in two ways: the Corporate Model and the Entrepreneurship Model. Existing firms which are older and usually larger are referred to as "corporations" and firms recently started by entrepreneurs are referred to as "startups" [6]. There are many ways in which corporations are engaging with startups to enhance corporate innovations through corporate venture capital, corporate incubation, outside in startup programs, inside out startup platform programs [7].

Central Asia's strategy for economic growth is focused on innovation and entrepreneurship. Countries in this region are actively building networks and infrastructure to support the growing science and technology startup ecosystem [8]. The countries in this region are more focused on providing the required support to startups and emerging organizations.

In the Indian context, there is no clear definition with respect to startups due to the subjectivity and complexity involved. But there are many explanations about what a startup is:

1. A startup is a young company that is beginning to develop and grow, is in the first stages of operation, and is usually financed by an individual or small group of individuals.
2. A startup is a young company that searches for an unknown business model to disrupt existing markets or create new ones.
3. A startup is a young, dynamic company built on technology and innovation wherein the founders attempt to capitalize on developing a product or service for which they believe there is a demand [9].

There have been many definitions of startups. One of the co-founders of Infosys has defined a startup as a business which is:

- Within the first three years of its existence
- Employing 50 people or less
- Revenue of INR 5 cr. or less [4].

Indian government has been proactive in its efforts to support the startup infrastructure in the country. Startup India an initiative providing an impetus for the development of startups has been established. The government should make accessibility to credit easier; the government should make the process of clearance from government agencies simpler and increase the number of incubators in the country [10]. Government should also provide direct access grants and zero–interest loans, facilitate direct access to venture capital, support the employment support schemes and help them in creating customer demand [11].

THE ROLE OF STARTUPS IN ACHIEVING $10 TRILLION ECONOMY

Employment Generation

Start-ups are the hope of India for employment generation, wealth creation, and spurring innovation [3]. Startups are centers of innovation and are a great way to enhance employment creation in the economy [12]. Startups have to generate a large chunk of jobs. Mayank Maheshwari, Co-Founder & COO at University Living says, "Startups generate employment, spur innovation, champion optimal utilization of limited resources to generate domestic revenue and boost consumer capital flow" [3]. Startups in India are growing rapidly there are many areas where the startups will contribute that will lead to a tremendous economic expansion, added opportunities of employment, specialization, increased capital and liquidity, and ultimately more competition [13]. Previously there have been many studies that have argued that small businesses such as startups have contributed to the growth of jobs [14, 15]. The startups not only will increase the number of jobs in the country but also will substantially grow the number of skilled labor. Startups create a job at a very fast rate [16]. This ability of startups to create jobs can act as a boon for the economy; helping the country to achieve the target of a $10 trillion economy.

Attract Foreign Investments

Indian startups have been in consideration by many foreign investment companies such as Goldman Sachs, Sequoia, Accel, SoftBank, and AET in recent times [3]. India is adding unicorns at a faster rate when compared to other developing countries [17]. Since startups are in the growth phase, they attract investors. Since money is invested in the country and spent within India, it will lead to economic development.

Wealth Creation

Startups are a great resource of wealth creation in a nation. As entrepreneurs invest and support their own ventures. The money is allocating within the society and wealth is being created in the nation. Entrepreneurs are capitalizing on the opportunity, provided by the current economic environment, to start the companies, grow them, and sell them off and initiate the next entrepreneurial venture in the process creating wealth [18].

Innovation

The most innovative businesses are startups. Due to their limitations, startups have to be creative and innovative in their nature. Startups work in an environment of changing technology and have to maximize profits by innovation [12]. Established businesses have a precedent to follow, price points to achieve, and processes to follow that startups do not have to because startups are more innovative. There are many startups that are revolutionizing the industry they are present in. Recent examples as CRED in Payments, Meesho in social commerce, Groww and Upstoxx in shares and mutual funds have transformed the sector they were introduced in. Startups are known for their radical innovation, and this will act as a boon for the economy [19].

Direct Local Impact

Startups create a lot of impact in the regions where they are located [16]. Startups lead to regional development. Silicon Valley in The United States of America and Bangalore in India are examples of the same. Startups bring in a lot of investments from private players and the government to the region improving the standard of living and earning capabilities of the region, which in turn, leads to the economic development of the country.

CONCLUSION

Startups have played a vital role in the development of the economy, and in the future, their roles will be more important. There will be no sector in the economy where the impact of startups will not be felt. India is an economy at a crossroads, and the road ahead is difficult. If India has to achieve the target of 10 trillion by 2030, startups have to contribute majorly. Startups will help to achieve this target by creating more jobs, attracting foreign investments, creating wealth for their citizens, being radically innovative, and at last by creating local impact. If India will be recognized as an economic superpower in the future, startups would be one of the main reasons for it.

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