

Impact of Startups on Indian Economy

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Abstract

Startups and Unicorns have been the buzz words for a couple of years now and needless to say, this decade has clearly been the decade for startups. All around the globe, we've seen the rise as well as the fall of various startups. What a startup actually is. A startup is a venture or a company that is started in order to provide solutions to certain problems that have never been answered before or to provide better solutions to the ones that are already existing. The word startup is often related to Silicon Valley in the U.S., which saw the rise of so many great startups like Facebook, Google, etc. However, now the dynamics around the world are changing and that too very rapidly. Startups are now even related to Shanghai in China and Bangalore in India. Since the launch of Startup India Initiative in the year 2016, the startups have been playing a very crucial role in the upliftment of the economy of the country. Now days, the big business houses generally outsource their tasks to the startups. Startups have been a major source of employment generation in India. It has also started to play a vital role in the enlargement of the Indian economy. Startup entrepreneurship is considered important because it brings new innovations, new jobs and competitive mobility to enterprises. Startup is free of economic slowdown and encumbrance. Startups lead backward and forward relations, which encourages the process of economic development in the country. Startups also work as catalyst agents for change; the result is a series reaction. Startup has the spirit and centers of innovation for Indian market that set to play vital role as a booster in the growth of economy and great way to enhance employment. Startup involves dealing with new technology which generally lies at the highest end of value addition chain. This research paper will make analysis of impact of start-ups, growth of start-up, analysis of ecosystem of start-ups and its impact on Indian economy and growth of economy.

Key words: Start-ups, Indian Economy, GDP, GNI, Exports, Imports.

1 Introduction

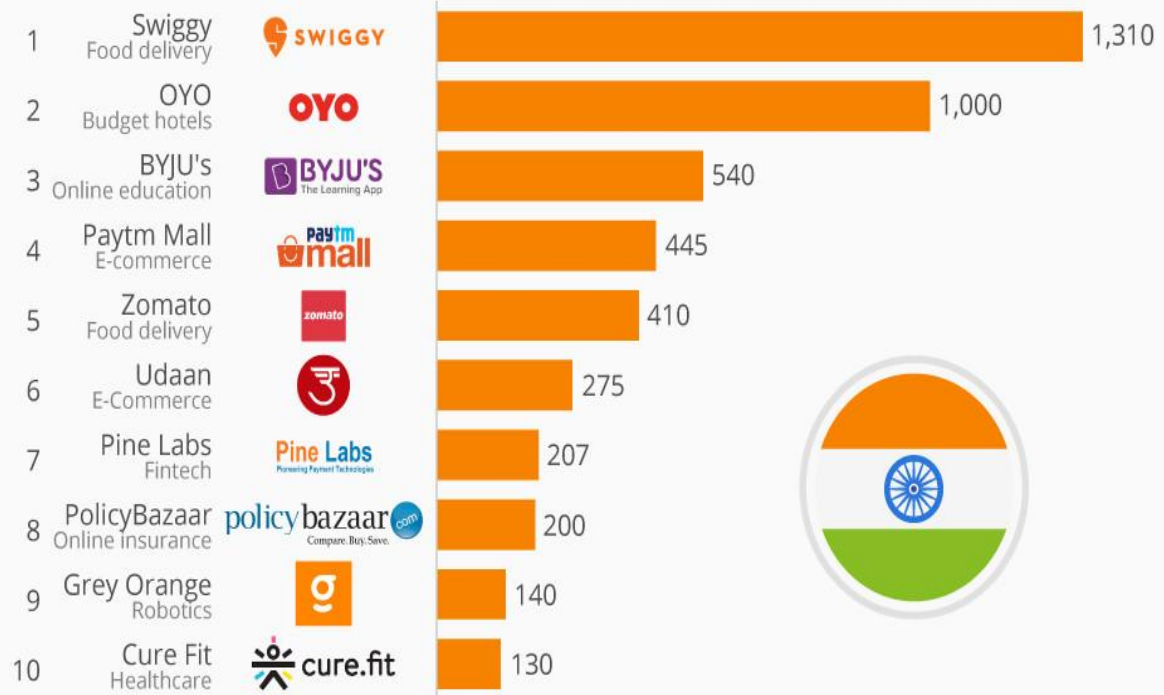
Start-up India was launched on 16th January, 2016. The event was inaugurated by the former Finance Minister of India Mr. Arun Jaitley. The Start-up India Initiative has rolled out several programs with the objective of supporting entrepreneurs, building a robust Start-up ecosystem and transforming India into a country of job creators instead of job seekers.

1.1 Achievements of start-up India Initiative

Start-up India since its launch back in the year 2016 has been a major platform for creating prosperity in India. As start-up India will help boost entrepreneurship and economic development- by ensuring that people who have the potential to innovate and start their own business are encouraged- with proactive support and incentives at multiple levels. Start-up India is a revolutionary scheme that has started to help the people who wish to start their own business. The success of this scheme is that it has eventually made India, a better economy and a strong nation.

The Highest-Funded Startups in India

Startups which raised the most seed money in India in 2018 (in million U.S. dollars)



@StatistaCharts Source: The Low Down/Momentum Asia



Table 1. Graph showing the highest-funded start-ups in India

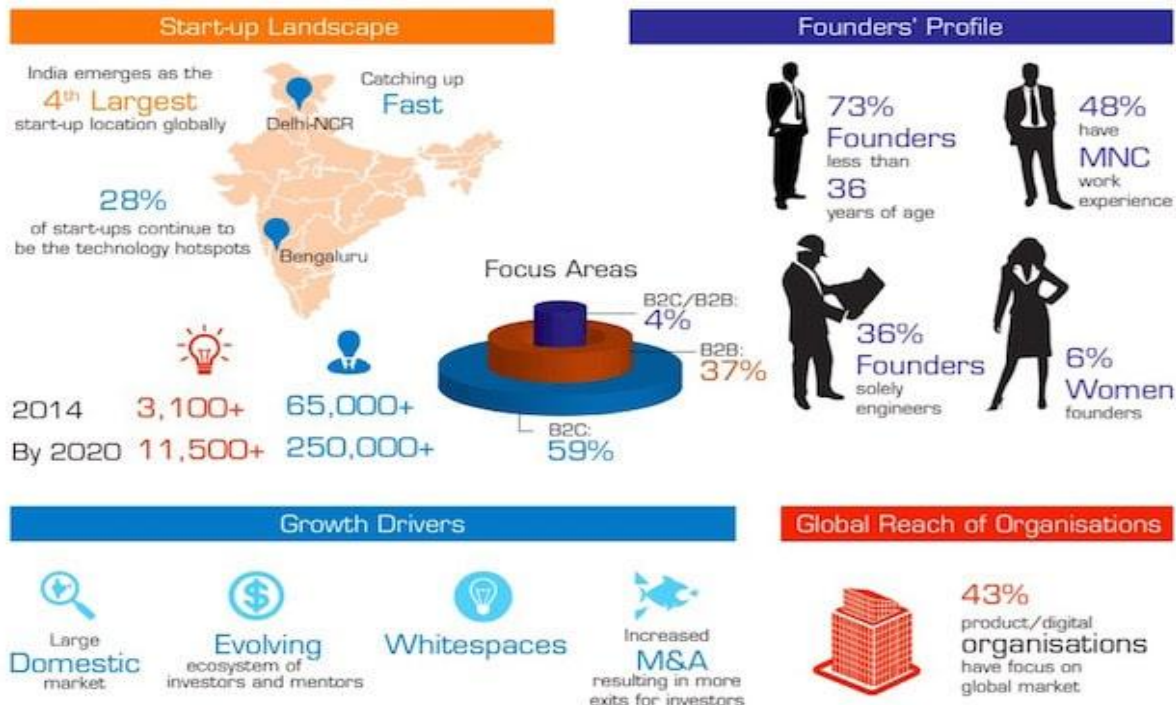


Diagram 2. showing growth of start-up in India (start-up-ecosystem-report-Nasscom)



Diagram 3. Showing Start-up India Initiative Achievements

1.2 Role of start-ups to increase economic growth

• Creation of job opportunities

Entrepreneurs play a vital role in relation to employment generation in the country. Thus, this will also help in decreasing the rate of unemployment in the nation. Therefore, one of the major advantages of start-up is creation of job opportunities.

• Creation of wealth

Entrepreneurs establish the start-ups with their own resources, but as the start-ups grow, they will eventually benefit the people of the nation. As the money will be shared among the people in the society then the wealth will also be created within the nation.

• Increase in the standard of living

As start-ups are established by the entrepreneurs to bring their unique ideas into realities. Many entrepreneurs have started the start-up in the rural areas to help the people of this region to enjoy the benefits arising from them. This also helps in the development of these rural and backward areas. At the same time start-ups implement innovation and technologies that help in to increase the standard of living of people of the society.

• Increase in the GDP

GDP stands for Gross Domestic Products. It is one of the very important terminology used in relation to the economy of a country. GDP forms a very important of the economy. By establishing more start-ups, it will help in enormous generation of the income domestically. It will also help to increase the flow of consumer's capital around the Indian economy.

2 Literature review

2.1 Prakash Goyal (2011): In his research study accomplished that of past and present situation of entrepreneur. He argued the position of entrepreneurs improved steadily in contemporary day and economies are taking the efforts to make enhance the entrepreneurs and start-ups must be configured properly with business expertise. He also explains regarding necessary steps taken by government. This paper gives effective path to understanding nature of the research problem.

2.2 Meenakshi Bindal, Bhuwan Gupta, sweety Dubey "role of start-ups on Indian economy" international journal of engineering and management research, ISSN 9online): 2250- 0758, ISSN (print)- 2394-6962, volume-8, issue-5, October-2018 The main objective is to analyse initiative for start-up India, to understand the problems faced by the start-ups, to study the impact of start-ups on people, to study the awareness about the start-ups. It is based on secondary data. It is found that the government must help start-ups promote themselves, not just in India but across the global, as

well as create policies that are start-ups friendly so that Indian start-ups get a major boost and they can further create better employment.

3 Reasons for growth of start-up in India

The start-up growth in India was something that was gradual in nature, and there are quite few reasons why India became such a sustainable environment for start-ups to thrive in. Some of the major reasons are:

- **The pool of talent**

India has a population that has a majority of the younger generation. This shows the amount of potential that our country has in terms of talent. There are millions of students graduating from colleges and b-schools every day. Many of these students use their knowledge and skills to begin their own ventures, and that has contributed to the start-up growth in India.

- **The cost of setting up business is low**

India is a labour-intensive country rather than being capital-intensive. The labour in India can also be hired on cheaper rates. So, compared to some other countries, the cost of setting up a business here is comparatively low. This is the reason why MNCs decided to set up their plants and offices in India. This one factor was really capitalised by the start-up owners as well.

- **Government boost**

This past decade has seen massive start-up growth in India and one of the reasons for this could be attributed to the various schemes launched by the Government. Some of the major schemes that were introduced to boost entrepreneurship were Start-Up India and Stand-Up India.

- **Increasing use of the internet**

India has the world's second-highest population, and after the introduction of affordable telecom services like Reliance Jio, the usage of internet has really increased. It has even penetrated to the rural areas now. India has the second-largest internet user base after China, and companies and start-ups can really leverage on this easy access to the internet. Not only can it be used to spread the message about a new business, but it can also be used to gather new information as well. So, communication has become much easier. This is also one of the major reasons for the start-up growth in India.

- **The advent of technology**

The evolution of start-ups in India has also been due to the advent of technology. This has led to businesses growing by leaps and bounds. Technology has made the various processes of business very quick, simple and efficient. Now because of the trend around artificial intelligence and blockchain, many new start-ups are considering these options as well.

- **Variety of funding options available**

Earlier there were only some very traditional methods available for acquiring funds for a new business model. However, this concept has now changed. There are numerous options and opportunities available. Start-up owners can approach angel investors, venture capitalists, seed funding etc. This availability of options and easy accessibility has also contributed to the growth of the start-up ecosystem in India.

4 Objectives of study

The objective of the study is

- To study the impact of start-ups on various variables of Indian economy
- To analyse the impact of start-ups on GDP, GNI, Balance of payment, Import, Export, Foreign reserve
- To analyse the start-ups initiative

5 Research Methodology

5.1 Problem statement

The problem statement is “what is the impact of start-ups on Indian economy”.

5.2 Dependent and independent variables

Independent variable: start-ups

Dependent variables: GDP, GNI, Import, Export, Balance of Payment, Foreign Reserve, Per Capita GDP.

5.3 Research design

There are three types of research design:

- exploratory research design
- descriptive research design
- Causal research design

In this study, descriptive research design is applied.

5.4 Sources of data

There are two types of data:

- primary data
- secondary data

In this research secondary data is used for the study.

5.5 Data collection tools

RBI reports, research publication, newspaper, reports of DPIIT etc are used for the study.

5.6 Population

All year's data of start-ups registered and Indian economy data.

5.7 Sample size

The 4 year as sample size from 2017 to 2020 have been taken. Because start-up Indian initiative has been implemented from 2016. Total no. of registered start-ups data has been derived from DPIIT report and economic variables data have been derived from RBI report. recognized start-ups have been used for analysis.

6 Data analysis and interpretations

6.1 Impact of start-ups on GDP at current price

Table 1. No. of start-ups and GDP at current price:

Year	No. of start-ups recognized by DPIIT	GDP at current price (Rs in cr.)
2017	5373	15362386
2018	8724	17095005
2019	17390	18886957
2020	41317	20351013

Result: correlation between no. of start-ups and GDP at current price =0.91139

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and GDP at current price. There is positive co-relation between no. of start-ups registered and GDP at current price. It means that start-ups help to increasing GDP of Indian economy.

6.2 Impact of start-ups on GNI at current price

Table 2. No. of start-ups and GNI at current price

Year	No. of start-ups recognized by DPIIT	GNI at current price (Rs in cr.)
2017	5373	15215269
2018	8724	16905230
2019	17390	18684632
2020	41317	20157899

Result: correlation between no. of start-ups and GNI at current price= 0.913965

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and GNI at current price. There is positive co-relation between no. of start-ups registered and GNI at current price. It means that start-ups help to increasing GNI of Indian economy.

6.3 Impact of start-ups on per capita GDP (RS.)

Table 3. No. of start-ups and per capita GDP (RS.)

Year	No. of start-ups recognized by DPIIT Per capita	Per capita GDP (RS.)
2017	5373	118489
2018	8724	130061
2019	17390	142328
2020	41317	151760

Result: correlation between no. of start-ups and per capita GDP =0.907769857

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and per capita GDP (RS). There is positive co-relation between no. of start-ups registered and per capita GDP (RS). It means that start-ups help to increasing per capita GDP (RS) of Indian economy.

6.4 Impact of start-ups on exports

Table 4. No. of start-ups and exports

Year	No. of start-ups recognized by DPIIT	Exports in RS. crore
2017	5373	1849434
2018	8724	1956515
2019	17390	2307726
2020	41317	2219854

Result: correlation between no. of start-ups and exports =0.683161736

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and exports. There is positive co-relation between no. of start-ups registered and exports. It means that start-ups help to increasing exports of Indian economy.

6.5 Impact of start-ups on imports

Table 5. No. of start-ups and imports

Year	No. of start-ups recognized by DPIIT	Imports in RS. Crore
2017	5373	2577675
2018	8724	3001033
2019	17390	3594675
2020	41317	3360954

Result: correlation between no. of start-ups and imports=0.614393865

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and imports. There is positive co-relation between no. of start-ups registered and imports. It means that start-ups help to increasing imports of Indian economy. It is not a good indicator that the imports are increasing although there is increase in the number of start-ups established. Here, the start-ups

are not of any help to decrease the imports of Indian economy. There should be a negative relation established between the start-ups and the imports.

6.6 Impact of start-ups on balance of payment

Table 6. No. of start-ups and balance of payment

Year	No. of start-ups recognized by DPIIT	Balance of payment Rs. crore
2017	5373	144234
2018	8724	280816
2019	17390	-20204
2020	41317	423206

Result: correlation between no. of start-ups and balance of payment at current price =0.586541351

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and balance of payment. There is positive co-relation between no. of start-ups registered and balance of payment. It means that start-ups help to increasing balance of payment of Indian economy.

6.7 Impact of start-ups on foreign exchange reserve

Table 7. No. of Start-ups and foreign exchange reserve

Year	No. of start-ups recognized by DPIIT	Foreign exchange reserve in US million
2017	5373	-21550
2018	8724	-43574
2019	17390	3339
2020	41317	-59498

Result: correlation between no. of start-ups and foreign exchange reserve= - 0.51826

Interpretations: I have calculated co-relation co-efficient between no. of start-ups registered and foreign exchange reserve. There is negative co-relation between no. of start-ups registered and foreign exchange reserve. There should be positive co-relation between start-ups and foreign exchange reserve. Start-ups are negatively affecting to foreign exchange reserve of Indian economy which is not a good indicator.

7 Summary of findings

TABLE8. Correlation between start-ups and various variable of Indian economy

VARIABLES OF INDIAN ECONOMY	CO-RELATION	RESULT	IMPACT
GDP AT CURRENT PRICE	0.91139	Positive co-relation	Positive
GNI AT CURRENT PRICE	0.913965	Positive co-relation	Positive
PER CAPITA GDP	0.907769857	Positive co-relation	Positive
EXPORT	0.683161736	Positive co-relation	Positive
IMPORT	0.614393865	Positive co-relation	Positive
BALANCE OF PAYMENT	0.586541351	Positive co-relation	Positive
FOREIGN RESERVE	-0.51826	Negative co-relation	Negative

8 Conclusion

Start-ups in today's world have become an important factor for upbringing of the economy of the nation. Now days, we see many youths in our nation upcoming with innovative and unique ideas. And these ideas can be realised by establishing start-ups. The youths of the nation should not worry about the failures and must take the courage to take the risks. As in earlier periods it was a difficult to start a business house. Entrepreneurs would have a lot to take into consideration before starting a business but now the world is shifting and is transforming to become more dynamic. It is very clear from the above study that the start-up and various aspects of the economy has a positive relation which comprises of GDP, GNI, PER CAPITA GDP, EXPORTS. But on other hand the start-

ups also have negative co-relation with respect to FOREIGN RESERVES which is required to be improved. Government is encouraging people to start doing business and steps are being taken for it which is actually good for bright future of India start-up industry. And this will certainly boost Indian economy as well as GDP in upcoming decade.

9 Suggestions

- Promote more awareness about start-up initiative
- Promote those start-ups who are exporting their product to other country
- Promote those start-ups which are helpful in generation of the employment opportunities
- Government should provide more incentive for start-ups
- Organizing events to promote entrepreneurial activity and create more innovation

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