

## THE INDIAN STARTUP ECOSYSTEM FOR SUSTAINABLE ‘BHARAT’: A CRITICAL REVIEW

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### **Abstract**

The term start-up eco-systems can be elucidated as the huge networks of the resources/assets that are meant to bring in revolution in the entrepreneurial activities by promoting birth of new businesses. The startup ecosystems provide support to the new businesses in sustaining growth by providing them with access to the technical specifications, paperwork, mentorship, investment options, aligning with different agencies of repute and detailing all pros and cons of raising a business while following norms, laws and conditions of community, society, and government.

This study aims to check with the prevalence of startup ecosystems in India and their possible impacts on the growing startups in year 2023. The study is purely based on secondary data primarily collected from eminent reports, journals, and websites. The available literature related to the study revealed that India – being the second largest populous country in the world has seen a significant development in the area of startups, support from government, educational institutions and communities. Many factors were uncovered that leads to the success and failure of startups in India.

**Keywords:** *Startups, Ecosystems, Citations, Bibliography, Entrepreneurship.*

### **Introduction**

Today, entrepreneurship is the trending topic in developing economies. These economies have embraced entrepreneurship as a pivotal metric for growth, as it contributes to economic expansion through the establishment of new startups and bolsters employment figures in the nation (Isenberg, 2008). The path of entrepreneurship doesn't occur in isolation, and it isn't an independent endeavor; instead, it necessitates assistance from a variety of entities and people (Jha, 2018). These entities and individuals are what we define as the Entrepreneurial Ecosystem, which comprises specific agents and elements aimed at fostering entrepreneurship within the country (Entezari, 2015).

Year 2023 is not being forecasted as per the old campaign: “Make in India”, the excessive boom in digital technology, growth of entrepreneurial environment and push provided by government itself aims towards a new concept i.e., “Make in India for the World”.

It is a source of immense satisfaction that India has achieved the 68th position among 137 nations according to the Global Entrepreneurship Development Institute. However, this ranking may seem quite modest when we evaluate its performance.

It is indeed a matter of great delight that India has secured the 68th spot out of 137 countries in the Global Entrepreneurship Development Institute's rankings. Nevertheless, when we assess its performance, this position might appear rather unimpressive.

The Indian startup landscape has experienced remarkable growth over the last decade. Starting with just 29,000 startups in 2014, it is anticipated that the ecosystem will provide a nurturing environment for 55,000 startups in 2020 (Inc42, 2020). Notably, this ecosystem has consistently attracted substantial investment, with venture capital expanding by a staggering eightfold between 2014 and 2019 (Inc42, 2020). Even during the COVID-19 pandemic, investment fervor remained resilient, with startup deals approaching the historic peak of 2017 (Inc42, 2020).

This study assesses various studies to find the relevance of Angel Investors, Startup Advisors, Legal Support, Entrepreneurship, Universities, and Innovators in creation of Sustainable Growth. India's present economic situation is characterized by growth and expansion. The Indian government is displaying an escalating interest in elevating the GDP growth rate at its very foundation by implementing liberal policies and launching initiatives tailored for entrepreneurs, such as 'Make in India,' 'Startup India,' 'E-Biz Portal,' 'SETU (Self-Employment and Talent Utilization) Fund,' and MUDRA. Lately, the increasing number of entrepreneurs in the country is a result of the proliferation of innovative ideas. Embracing innovation enables startups to rise to prominence in the market. Consequently, this study has been undertaken in response to this natural growth and the ongoing improvements in entrepreneurial development

India now has a dedicated day to celebrate success of baby entrepreneurial ideas as National Startup Day. Ministry of Commerce, Department for Promotion of Industry and Internal Trade (DPIIT) and Hon'ble P.M. of the nation declared and celebrated 16<sup>th</sup> January as National Startup Day as well as Indian Startup Ecosystem Day. The main purpose of this mega gaga event is to motivate, promote and aware futuristic entrepreneurs to come together and enlighten others.

(Kumar Adhana, 2020) discussed the vivid role of university-based Incubators and Promoters in producing successful business entities. He further re-instated that the College/University based business promotions/incubators play a major role in supporting the conception and expansion of high-end technology.

## Research Objectives

The research objectives are outlined as follows: –

- i. To conduct a methodical review of available literature in the realm of Startup Ecosystem
- ii. To extract the essential elements that are responsible for Startup Ecosystem in India.
- iii. To identify factors in the area of startup ecosystem that can lead to the achievement of sustainable India in near future.

## Relevance of Study

- i. The main purpose of current study is to critically assess the available information in context to Indian Startup Ecosystems as of year 2023.

- ii. The study will be helpful to the future research, scholars, Industries, Wannabe Entrepreneurs, Governments, policy makers, financiers and Universities in long run.
- iii. The study aims to highlight the most desired factors of Startup Ecosystem, thus the results further signals towards simplified process of starting a new venture.

### **Understanding Startup Ecosystems**

The fundamental concept behind the ecosystem's viewpoint states that the more robust the ecosystem, the greater the likelihood of businesses thriving within it. With this principle in mind, it becomes crucial to understand the different components of an entrepreneurial ecosystem, the relationships and interplays among them, and the strategies for fostering a resilient ecosystem.

To advance in this direction, entrepreneurial ecosystems have been broken down into six categories (Isenberg, 2011), each comprising multiple components that engage in intricate and distinctive ways (Mason & Brown, 2014). These categories encompass accessible markets, the availability of financial resources, a supportive cultural environment, skilled human capital, a forward-thinking policy framework, and an array of institutional support (Isenberg, 2011). While all these areas carry significance, it has been established that access to markets, financial resources, and top-quality human capital are the most critical factors. Furthermore, these categories are interconnected and impact the quality of the others.

The term Entrepreneurial ecosystem can be called as Startup ecosystem – A Framework or a premise that nurtures an idea, converts it to an innovation and give rise to a new business unit. (Christos, Maro, & Konstantinos, 2022) explained startup ecosystems as the driving force for young businesses and classified Motivational force for start-uppers as opportunity over necessity. They further identified issues, like tax incentives, guidelines, availability of plans, availability of sponsors, entrepreneurship education, and any incubational support behind the poor status of startup ecosystems in Greece. (Krishna, Deepak, Bala, & Mungila, 2021) in their study inspects the role of entrepreneurial, individual business and environment related constraints that impacts the competitiveness of start-ups of Indian origin which are linked with use of high technology-based businesses. They concluded that the business who are engaged in high tech businesses need to invest and focus more on their Research and Development activities. (V. Khanna & Co. Chartered Accountants, 2021) outlined a process for sustainable startup ecosystem as shown in the figure below –

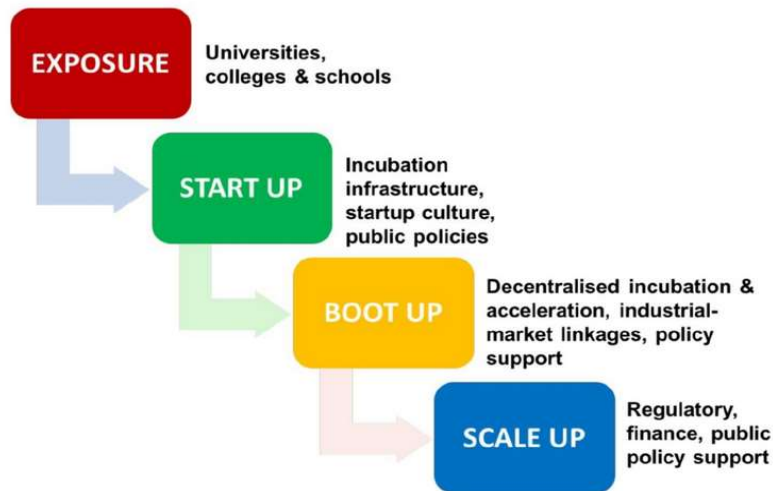


Figure 1: Image courtesy V. Khanna & Co. CA

### Startup Ecosystem in India

(Patwardhan, 2022) - a leading news reporter from Livemint media on the basis of data released by Economic Survey 2021-22 reported that after United States of America and China, India has become third-largest startup ecosystem in the world. And this doesn't happen overnight, the ruling government had given recognition to over fourteen thousand startups in year 2021-22 out of which 44 startups were seen as Unicorns in year 2023 (one unicorn's estimated value is \$1 Billion). Following are the essential drivers of startup ecosystem in India –

- i. Opportunity in Market
- ii. Availability of sponsors/finances
- iii. Talented Human Capital

(Bharat, Ramanjaneyulu, & Sita, 2020) duly acknowledged the growing status of India in terms of producing successful startups, but also outlined various flaws pertaining to the reduced and slower growth of the ecosystem due to various government policies, Investment issues and mentoring of the startups. (Agnihotri, 2018) said that a country like India has a potential for funding of new ideas but, it lacks the required infrastructure. He also reiterated that the nation has huge potential in terms of opportunities but, we are still running behind achieving the target of Internet Economy. (K. Jha, 2018) identified various aspects of any startup ecosystem signaling towards a pool of opportunities, appropriate availability of funding, and a young and educated workforce. But, along with the possibilities comes challenges too. The Ecosystem for startups may have to deal with the unique problems of Indian subcontinent.

(Marco & Alexendar S, 2009) found that the founders of those startups who were unemployed are mainly motivated by extreme push & pull factors while their endurance rates after 2.5 years of incorporation are high.

(Rasińsk, 2022) studied about the possible reasons of India being top third in the race of startup ecosystems in the world. She also exerted her focus on pre and post covid impact on the startup ecosystem and her findings were paradoxical.

## Problems Associated with Startups

(Abdo, 2021) – the senior contributor in the field of Startups claimed that the biggest problem lies with the idea itself. People touch the mere essence of problem without actually studying it and when startups like these take a roar, they do not last long. Abdo recommended use of domain knowledge to target customers and thrive.

(Jain, 2018) explored a few problems with startups. These problems are the structure of market being Unorganized in nature, The lack of Knowledge & exposure among people, fear of failure and regulatory procedures.

The other biggest problem is with funding of the ideas/projects in India whereas the availability of talented and required people remains the third problem associated with the startups.

(IndiaFilings.com, n.d.) – being the best place for filing various papers for business, taxes and imparting education related to starting businesses, has provided the list of problems that are usually associated with the startups –

- i. Competition with the small and big players in the marketplace who excel in copying, buying or producing better products than a mere startup – after the idea is made public.
- ii. The obvious gap between Skills and Knowledge being a first-time entrepreneur is a challenge in the marketplace. One should have all the information about their customers, their tastes, some general domains of business management to keep up with the majority of work by yourself instead of relying on experts and expensive staff.
- iii. Planning for failure i.e., a safety Plan. Experts say that the overexcitement in starting up a new venture often leads to loss of forethoughts. The business plan should be comprehensive in nature. If it fails at any stage, there should not be any problems of finances to cover up the expenses.
- iv. Employees are the vital blood for every organization – but a bad employee may often lead to reduction in teamwork and morale. It is advised to take appropriate time in hiring person that fits the candidature.
- v. Keeping the expectations higher – It is the duty of an entrepreneur to look above all, but at same time he should also be concerned about phenomenal situations that may arise in an enterprise and be prepared for anything.

## Issues and Challenges of Startups

### • Access to Financial Resources

The availability of financial resources is a pivotal concern for startups, and it often proves challenging to secure sufficient funding. Various financial options are at their disposal, including support from family and friends, loans, grants, angel investors, venture capitalists, and crowdfunding. As the business advances, the need for capital increases, making timely infusions of funds essential. Effective cash management is a critical success factor for startups (Skok, 2016; Pandita, 2017).

### • Generating Revenue

Many startups falter due to inadequate revenue generation as their operations expand. With growth, expenses tend to rise while revenues decrease, compelling startups to shift their focus towards

securing funding, thereby diverting attention from the fundamental aspects of their business. Therefore, the generation of revenue is of utmost importance, necessitating the efficient management of the burn rate, which, in simpler terms, refers to the rate at which startups expend their funds in the initial stages. The challenge lies not only in acquiring sufficient capital but also in sustaining and expanding growth.

- **Sources of Financing a Startup**

Various research conducted on startups shows that public funding/subsidies have an optimistic effect. (Marius & Hanna, 2021) have outlined a few eminent sources of finance viz. Secured Debts, Equity Financing, Government Grants, University Sponsorships, Market Pooling and Angel Investors. The new business houses may opt any one or a blend of above-mentioned sources to fund their business.

- **Ecosystem Support**

A range of supportive systems and assets, including incubation programs, science and technology hubs, and centers for business development, have a pivotal function in the startup journey. A lack of adequate access to these supportive mechanisms increases the vulnerability of startup failure.

- **Market Awareness**

Startup failures often stem from a failure to recognize market constraints. The startup environment is typically more challenging than that of established companies, primarily due to the uniqueness of their products or services. This challenge intensifies for new products, as startups must construct their market presence entirely from the ground up.

- **Founder Resilience**

Startup founders must exhibit resilience when faced with adversity. The process of launching a venture is riddled with delays, setbacks, and challenges that often lack readily available solutions. Entrepreneurs must demonstrate perseverance, persuasion, and an unwavering commitment to achieving their desired outcomes.

- **Regulatory Hurdles**

Initiating a business entails obtaining various permits from government authorities. While there has been some noticeable change, registering a company remains a formidable challenge. Regulations related to labor laws, intellectual property rights, dispute resolution, and more are stringent in India.

- **Mentorship Deficiency**

The deficiency of adequate counsel and mentorship emerges as a leading concern within the Indian startup environment (Choudhury, 2015). Numerous startups may boast ingenious concepts and products but often lack the necessary industry, business, and market know-how to successfully bring their offerings to market. It's widely recognized that a brilliant idea can only prosper when executed promptly (Mittal, 2014). The scarcity of ample mentoring and guidance constitutes a notable obstacle that has the potential to prematurely obstruct a genuinely exceptional idea.

- **Inadequate Branding Strategy**

The lack of an effective branding strategy serves as another obstacle preventing startups from gaining rapid traction. Hemant Arora, Business Head-Branded Content at Times Network, emphasizes the critical role of branding, as it not only provides an identity but also occupies a space in consumers' minds (Choudhury, 2015).

### Elements of a Startup Ecosystem for Sustainability

(Desk, DU, 2021) brilliantly outlined a combination of many external and internal factors that can be held responsible to create startup ecosystem of modern India. As the new business is called as Startup, it phenomenally requires a support system i.e., an ecosystem in which the new business/startup can thrive/breathe.

The Dutch Uncles outlined following essential elements that are seen as core elements of any startup ecosystem –

- i. **A Visionary Entrepreneur** - The entrepreneur is surrounded by all other essential functions and is often seen as the most crucial person of entire startup ecosystem.
- ii. **Mentors** – A mentor with vast experience of past and future of similar startups is considered as an asset in an ecosystem, because when any new startup is in the process of making, an assistance from experienced mentors may embark a difference.
- iii. **The Talented Workforce** – The Talents are termed as the most significant element of nurturing any startup and is considered as an essential element of an ecosystem because by the end of the journey, all the industries / Business activities are carried out by the Human Resources and a talented workforce brings fortune to the enterprise.
- iv. **Education** – As they say education is the key to future, the success of majority of startups lies in the hands of good professionals only and the places where they are trained.
- v. **Incubators** – Also known as the accelerators, are the special cells designated to nurture an idea and expand it to establish a venture with projected returns. An incubator has all those qualities to bring all the favorable factors altogether for the growth and sustainability of any startup.
- vi. **Networking Events** – The chains and connections of the entrepreneur with people of prospects, other startups and government agencies are always the prime goal of any ecosystem. The main purpose of these events is to bring along people of interests together and mutually work in the domain of getting a problem solved by starting a new venture of need. This aids in sharing of the ideas with each other, which helps in making the ecosystem robust.
- vii. **Resources and Access** - (Startup Commons, 2022) also suggested that a thriving ecosystem needs sharing / pooling of different resources, manuals, access to some FAQ's, knowledge about operations, tools, machinery, essential requirements, pros and cons, methodology, manuals, Standard operating procedures etc.

### Research Methodology

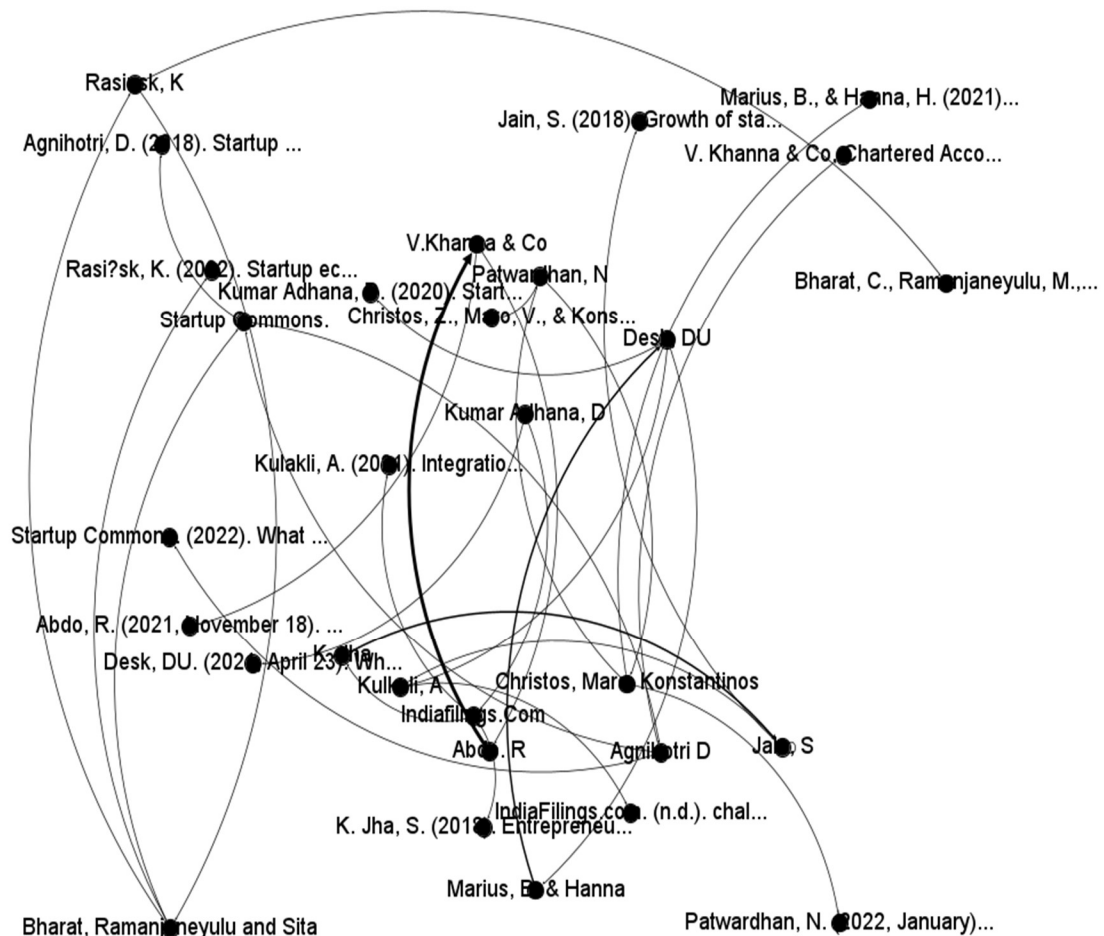
**Research Method:** Descriptive statistics- Descriptive statistical methods to examine the evolution of research publications over time, the distribution across various sources and author affiliations, as well as patterns of collaboration.

**Context of the Study:** Data Based- Research articles were qualitatively analyzed to identify key research themes and categorize them based on their focus areas.

**Source of Data:** Secondary Data -An extensive and thorough search was carried out across well-established academic databases, including Scopus, Web of Science, and Google Scholar, to locate pertinent research articles available up to the year 2023. The search criteria encompassed a range of terms, including different versions of "Startup India Scheme," "India," "Ecosystem," "Entrepreneurship," and "Innovation."

**Analysis of Data:** Bibliometric Analysis is used.

**Visualization Software:** Gephi version 0.10.0 -Bibliometric analysis is conducted to help establishing a reliable and linked study. The visualization tool not only depicts the patterns of cohesiveness, but they also support the researcher to quantitatively assess the quality of authors/ journals by citation rates & other metrics and to present the relationships of the research being carried out (Kulakli, 2021). Bibliometrics involves quantitative analysis of publications, citations, authors, and institutions to provide insights into the characteristics and impact of the research field.





*Figure 2 :Bibliometric Representation*

Because the availability of literature is scarce in the research field, it serves less relationship in the available data.

Gephi 0.10.1 – a software for drawing statistical graphs is used to draw the relevance groups and outline the cohesiveness in the literature reviewed.

**Findings**

The startup ecosystem in “Bharat” has grown rapidly in recent years, with the country now home to the third-largest startup ecosystem in the world. The expansion has been stimulated by several elements, encompassing a youthful and expanding population, a substantial and expanding middle-class segment, a robust emphasis on creativity, and a government policy framework that is conducive and supportive.

The Indian startup ecosystem is diverse, with startups operating in a wide range of sectors, including technology, healthcare, education, and clean energy. These startups are playing a significant role in driving economic growth and innovation in India. They are also contributing to the country's efforts to achieve sustainable development goals. A sizable population brings forth numerous advantages, including increased learning opportunities, a wider range of benefits, the potential for new ventures, and flexible working hours. Connectivity is facilitated, and there are tax benefits for investors. This environment offers a unique experience, reduces operational costs, and eliminates time-consuming compliances. It also enhances job satisfaction and enables a straightforward exit when needed. However, job security may be uncertain, but supervision is minimal. Additionally, patent costs are more affordable, promoting self-reliance and fostering innovation. The society embraces innovation, providing a tax holiday for three years and the ability to apply for tenders. This dynamic setting encourages a change in the mindset of the working class and offers a simple process for easy access to funds.

For a nation like India AKA Bharat, it is the moment of pride that the recent government has approved maximum number of startups and that the startups have received a lot of appreciation worldwide. From the literature reviewed, it has become significantly evident that apart from mere funds/seed money, a lot many factors are responsible for the growth and survival of a newly launched business entity.

Figure 2 Illustrates all the essential components of a startup ecosystem that are required to nurture a thriving business idea. It contains a blend of all the assets together as Investors, Advisors, Culture, Universities etc. All these factors are responsible for creation of a harboring startup ecosystem.



Figure 3: Image Courtesy: [www.startupcommons.org](http://www.startupcommons.org)

It was also found that University based incubation systems, adequate availability of investors and Innovation are the major factors that may lead India towards a new revolution in or after year 2023. These factors are found to be the game changers across many similar studies.

### Conclusion

As Startup Ecosystem thrives on Indian subcontinent, it is evident that the determinants of its success lie on the Universities, education system, the small cooperative banks, Angel Investors and mentors who keeps on supervising the new generation entrepreneurs about laws, various pros & cons and protects the ventures from failing due to commonly made mistakes. Such an ecosystem has potential to become flag bearers of sustainable development and Sustainable Bharat in coming years.

The Indian startup ecosystem has the potential to play a significant role in helping India achieve the Sustainable Development Goals. For example, startups in the clean energy sector are developing innovative solutions to address India's energy challenges. These solutions include solar power, wind power, and energy efficiency technologies. Startups in the healthcare sector are developing new drugs and diagnostics, as well as innovative ways to deliver healthcare services. Startups in the education sector are developing new educational technologies and platforms.

Startups play a pivotal role in addressing the pressing challenges confronting humanity, primarily because of their agility in responding to problems and generating innovative solutions. The increasing number of incubators and a growing interest among young individuals in initiating their own ventures are further driving the culture of entrepreneurship and early-stage startups in India. This trend is indicative of the increasing momentum and potential for startups to contribute to finding solutions to some of the most critical issues facing society.

Despite the potential of the Indian startup ecosystem to contribute to the achievement of the SDGs, there are a number of challenges that need to be addressed. These challenges include: (a) Access to capital, (b) Lack of Infrastructure and (c) Regulatory barriers.

The Indian government has taken a number of steps to support the growth of the startup ecosystem. However, there is still more that needs to be done to address the challenges that startups face. By addressing these challenges, the government and other stakeholders can help to create an environment that is conducive to innovation and entrepreneurship. This will help to ensure that India's startup ecosystem can continue to grow and contribute to the country's economic and social development.

The Indian startup ecosystem has the potential to play a significant role in driving sustainable development in India. By addressing the challenges that startups face, the government and other stakeholders can help to create an environment that is conducive to innovation and entrepreneurship. This will help to ensure that India's startup ecosystem can continue to grow and contribute to the country's economic and social development.

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