

A STUDY OF THE FASTEST GROWING ECOSYSTEM OF INDIA: EVIDENCE FROM SELECTED ECONOMIC INDICATORS

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Abstract

Growth and upliftment of an economy like India lies in the hands of young generation. Our young generation dreams and aspire to reach new heights and be a part in the growth story of our country. For this the talent and ideas need to be recognised and a backup support is required. Government of India has taken a number of initiatives to help this young blood and ultimately which contributes towards the economic development of our country. Its goal is to engage academics, investors, industries, non-governmental organisations, and large and small business owner. Many research studies have been done to signify the role of government in the upliftment of the start-ups in India. Adding to it, in this paper an insight on the reforms taken by various regulatory bodies of India in their specific field has been discussed and also an analysis on impact of increase in the no. of recognised start-ups on the GDP and Financial Markets performance has been done. In this study we also concluded that there is positive relationship between number of Start-ups and GDP, BSE index and with Exports.

Keywords: Startups, Economic growth, GDP, Exports, BSE Sensex

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1. INTRODUCTION

The population of India represents the youngest in an expanding world. India now has a numerically larger working-age population than non-working-age population. These young people of working age are highly driven and have a variety of goals. Many young people have different goals for their lives, so it's important to provide them with a good education and prepare them for what lies ahead. Young people's dreams of becoming entrepreneurs are often accompanied by ambitions to conduct excellent education on par with global greatness. The number of innovative and modern companies that are expanding in the upcoming years has the potential to significantly alter the global economy. Anywhere can be the starting point for a startup, and sometimes, the nations with the greatest needs also provide the most chances. Startups thrive in impoverished nations, war-torn states, and those with little experience with business. These kinds of settings present a number of challenges that entrepreneurs might seize, not only to turn a profit but also to leave their mark in a faltering economy. The only method to boost a country's economic growth is through entrepreneurship. A modest startup concept has the potential to grow into a significant novel solution that could transform the course of emerging nations. Due to their modest size, startups are crucial to economic expansion. This is because they provide jobs, and jobs translate into lower unemployment rates, which in turn lead to a more refined and improved economy. Because new entrepreneurs have fresh ideas to share, which encourage even more innovation and creativity,

startups also create competition and encourage people to be more trailblazing and imaginative. The competition amongst startups is growing along with the number of them. However, in order to foster a startup atmosphere, consumers and healthy competition are important. The newest technology, such as robotics, artificial intelligence, and the Internet of Things, are currently being presented by numerous entrepreneurs. These days, the majority of large technological corporations outsource their work to startups, which helps to increase the cash flow of startups.

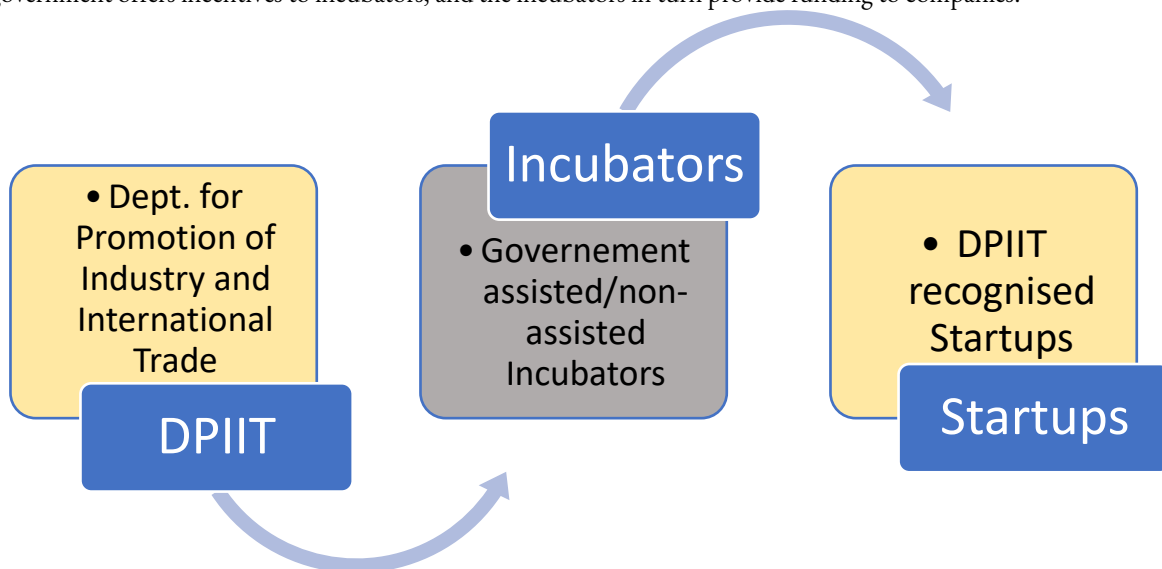
1.1 Entrepreneurs creates new businesses

Entrepreneurship is defined here as a business activity, which encompasses both entrepreneurs in the process of starting a new business and newly established businesses (Neumann, 2021). It is clear that entrepreneurs' attempts to produce goods or services strengthen the economy because, as competition among already-existing businesses grows, less-productive enterprises are forced out of the market. Additionally, the creation of new companies affects existing companies in a cascading manner because the former supply the latter with resources or raw materials, which boosts the economy as a whole.

India is cautiously taking steps to have a vigorous start-up atmosphere. A separate department has been set up specifically to minister all the activities to encourage and support new businesses. Government of India has been taking enormous steps and has introduced a number of schemes to cushion entrepreneurship in India. Its goal is to engage academics, investors, industries, non-governmental organisations, and large and small business owners. Furthermore, in recent years, the nation has started to understand the significance of women's entrepreneurship and empowerment. The nation's economy is rising to previously unheard-of levels thanks to their financial contributions. Notably, the Indian government is making a concerted effort to ensure that opportunities for male and female entrepreneurs are equal. The best aspect is that it aims to give women entrepreneurs access to a range of networks, loans, markets, and training in order to position them at the forefront of India's entrepreneurial ecosystem. The government also makes an effort to support business owners who want to engage in marketing, technology, and finance. Moreover, the intent is to promote employment and innovation across the country's diverse industries. Few of the government schemes developed to promote entrepreneurship in India are:

Following is the list of schemes initiated by Government of India:

1. **Startup India Seed Fund:** Under this scheme start-ups will be provided a financial assistance upto Rs.50 lakh through incubators. The government offers incentives to incubators, and the incubators in turn provide funding to companies.



2. **ASPIRE:** It is A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE) was launched by government of India to promote and develop rural sector of our country and is headed by Ministry of Micro, Small and Medium Enterprises (MSME). Furthermore, ASPIRE aims at improving employment, minimizing poverty, and stimulating innovation in rural India. The major goal, however, is to boost the agro-business industry. The Ministry of Small and Medium Enterprises has attempted to promote economic development at the local level.
3. **Pradhan Mantri Mudra Yojna:** The Pradhan Mantri Yojana was introduced in 2015 with the goal of assisting small businesses in growing and excelling. Companies in both the profit and non-profit segments can apply for a loan under this scheme, with a maximum loan amount of Rs.10 lakh.
4. **ATAL Innovation Mission:** The NITI Aayog's flagship endeavour is the Atal Innovation Mission (AIM). Moreover, AIM will play a key role in aligning innovation policies across the national, state, and sectoral levels, stimulating the creation and promotion of an

ecosystem of innovation and entrepreneurship at all levels - higher secondary schools, science, engineering, and higher academic institutions, as well as SME/MSME industry, corporate, and non-governmental organisations.

1.3 Role of Entrepreneurship in Economic Growth

Entrepreneurial products and services have the potential to support the economic growth of associated businesses. This is also true for industries that must support new ventures.

For instance, there were very few information technology companies in India's IT sector in the 1990s. The sector helped many other industries and had rapid growth in popularity. Companies in related sectors, like hardware suppliers, network repair shops, and contact centers, have prospered. Educational and training institutes fed and cared for a new generation of IT workers. They received offers of better, more lucrative jobs. Startup projects contribute to wealth generation and raising people's incomes. Well-established companies could be limited to well-established markets and might reach a profit ceiling. Businesses are able to expand into new markets and create new income thanks to their enhanced goods, services, or technology. A larger national income is also the outcome of increased tax revenue and expenses brought about by more jobs and higher incomes. Thus, the value of entrepreneurship adds to the national income of a nation. The government intends to reinvest these funds in human resources and faltering industries.

2. LITERATURE REVIEW

Entrepreneurship is indeed motivated by earning profit promotion, self-satisfaction and independence” (Raofi et al., 2014).

India has designated the years 2010-20 as the Decade of Innovation. For startup ecosystems to thrive and for greater industrialization to occur, innovation is essential. A country's per capita income rises as a result of this (Jain, 2018).

In study conducted to analyse the performance of startups in different business cycles it is concluded that there seems to be a mystery around how the business cycle and entrepreneurship are related. It is unclear whether economic booms and downturns have a similar or different impact on new business entry (Konon et al., 2018).

The Prime Minister's Start-up India programme is a remarkable endeavour to encourage Indian entrepreneurs. This programme will play a critical role in facilitating start-ups and giving entrepreneurship in the country a new dimension. The government must assist start-ups in promoting themselves not only in India but around the world, as well as implement legislation that are conducive to start-ups, so that Indian start-ups can grow and provide greater job prospects for the country's youth (Bindal et al., 2018). Venture capital is very wealthy and powerful, it is also a massive platform for linking entrepreneurs with investors (Anand & Raj, 2021).

Institutional and legislative support, financial availability, and entrepreneurial culture are all foundations of entrepreneurship. If India wants to be a leader in innovation, it needs to increase its gross R&D spending to match that of industrialised nations by hiring more researchers, particularly from the private sector (Srikanth et al., 2020).

Startups have a favourable impact on India's economy. But, the government must support and establish more startups in India in order to help the country's GDP grow (Girnara, 2020). Another study found that high economic growth boosts a start-up's chances of survival, demonstrating the importance of an addressable market in ensuring the competitiveness of technology-based start-ups. (Satyanarayana et al., 2021).

The positive relationship between entrepreneurship and economic growth is primarily due to entrepreneur activities such as product development, market research, and innovation introduction, which is responsible for economic growth, job creation and social well being. (Méndez-Picazo et al., 2021).

Through new policy measures, a startup ecosystem has been formed in our country, which will be responsible for startups in manufacturing sector, furthermore growth of micro and medium units will also take place. With the achievement of this target more job creations will also be done, (Dr. C.R. Mageshwar & Dr. K. Jothimani, 2022). The findings of a study shows that it is the positive mind set of a person which is responsible for the growth of startup and further GDP. (*Full Article: The Role of Entrepreneurship in Stimulating Economic Growth in Developed and Developing Countries*, n.d.). According to one of the study, finance is the most crucial component for businesses' survival, and reducing government rules and regulations is also a goal for companies (Dwivedi, 2019).

While promoting the development of small and medium firms, entrepreneurship can produce employment, innovate, enhance production, and diversify the economy's revenue sources (Khyareh et al., 2019). Entrepreneurs, governments, investors, and all other key stakeholders should act to continue to sustain, promote, and work towards growth of startups in all over world (Nwagu & Enofe, 2021).

A report suggest the development of an individualized strategy that integrates with a region's current entrepreneurial assets is necessary to establish and grow entrepreneurial ecosystems more realistically. In response, more advanced types of specialized and team-based business support are required to enable the interconnections among ecosystems' entrepreneurial conduits, such as big businesses and funding institutions. A considerable shift away from the prevalent concentration on traditional transactional incentives, which continues to dominate most policy frameworks, will be necessary to implement these emerging forms of policies (Mason & Brown, n.d.).

It is better if larger companies support startups and motivate them by providing guidance, incubation, and financial assistance, helping them to define their place in the current business environment. People shouldn't consider the startup revolution to be a passing trend(Singh, 2020).

One of such study says that if we can identify the factors that impact competition among high-tech start-up, if an economy has to significantly speed up the growth of high-tech start-ups. This will increase the success rate of newly emerged start-ups and, as a result, reduce the failure rate(Bala Subrahmanya, 2022).

The results of a study conclude that as the number of cases during COVID were increasing it had a reverse impact on the sales and profit figures of the startups. The fixed cost remains constant which becomes a reason for the threat of long term survival of the entity which is still on the urge of getting established(Kuckertz et al., 2020).

In a study to see the impact of COVID19 on start-ups the author finds that as the number of cases increased the markets performed in a negative manner. Moreover, the size of the startup also matters when it comes to the impact. Furthermore the company having less debts will get less effected during COVID times(Hoang et al., 2022).

A recent study concluded that as the number of start-ups increases, there seems a sustainable development in the economy and a positive outcome is visible in maximum indicators(Ressin, 2022).

3. OBJECTIVES

1. Analyse the impact of increasing number of recognised start-ups on Macro economic variables
2. To study if start-ups initiative taken by government of India is contributing to economic growth?

4. RESEARCH METHODOLOGY

4.1 Problem statement: Impact of no. of recognised start-ups on economic growth of India.

4.2 Variables: Dependent variables: GDP at current price, Annual average of BSE Index, Exports. **Independent variable:** No. of recognised start-ups.

4.3 Data Collection: Secondary data is considered for this study and thus five years i.e, FY 2016-FY 2022, has been taken from authorised government RBI and DPIIT websites.

5. DATA ANALYSIS AND INTERPRETATION

5.1 Impact of No. of recognised start-ups on GDP at current price

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

Year	No. of recognised Start-ups	GDP at current price (Rs. Crore)
2016	746	15391669
2017	7964	17090042
2018	8612	18886957
2019	11,279	20351013
2020	14,498	19745670
2021	20,046	23471012
2022	26,542	27240712

Result: Correlation coefficient among these two variables is 0.9765. No. of start-ups and GDP of India are positively correlated; it means that if No. of start-ups increases GDP of country also increases.

Regression

Regression Statistics

Multiple R	0.976585747
R Square	0.953719721
Adjusted R Square	0.944463665
Standard Error	937378.2695
Observations	7

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	14450759.02	677367.9147	21.33369283	4.2E-06
X Variable 1	457.3880478	45.05960825	10.1507329	0.000159

Regression coefficient is 457.39 and its significance level is below 0.05 (level of significance), which depicts that no. of start-ups have significant impact over GDP of our country. To put in other words it means if there is 1 unit of change in no. of start-ups, the GDP of the country increases by 457.388 units and the chances of error in the occurrence of this value is 0.000159 which is very less.

5.2 Impact of No. of recognised start-ups on Annual average of BSE index price

Table 2: No. of recognised Startups and Annual Average of BSE Sensex

Year	No. of recognised Start-ups	SENSEX
2016	746	26,626.46
2017	7964	34,056.83
2018	8612	36,068.33
2019	11,279	41,253.74
2020	14,498	47,751.33
2021	20,046	58,253.82
2022	26,542	60,840.74

Result: Correlation coefficient among these two variables is 0.851 as is depicted in the table as Multiple R value. No. of start-ups and BSE Sensex annual average price Index are highly positively correlated, it means that if no. of start-ups increases, Bombay Stock Exchange index Sensex also shows a positive movement. To put it in other words that more of investments and money flow will reflect a positive movement in the stock markets also. Both are highly correlated.

Regression

Regression Statistics

Multiple R	0.850792502
R Square	0.723847882
Adjusted R Square	0.677822529
Standard Error	8079.110964
Observations	8

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	34204.44405	4192.944228	8.157619609	0.000183
No. of Startups	0.646810348	0.163099214	3.96574778	0.007403

Regression coefficient is highly significant with a parameter of 0.6468. Here in this analysis the no. of start-ups is considered as independent variable and annual Sensex index value is considered as dependent variable. The test results depict that if the no. of start-ups are increasing by 1 unit than there 0.65 unit of change in BSE Sensex. The chances of error in occurrence of this value is 0.0074 which is very less.

5.3 Impact of No. of recognised start-ups on Exports

Table 3: No. of recognised Start-ups and Exports (Rs. Crore)

Year	No. of recognised Start-ups	Exports (Rs. Crore)
2016	746	1849434
2017	7964	1956515
2018	8612	2307726
2019	11,279	2219854
2020	14,498	2159043
2021	20,046	3147021
2022	26,542	3620631

Results: Correlation coefficient among these two variables is 0.9276. There is moderate link between no. of start-ups and Indian exports.

Regression Statistics

Multiple R	0.927581429
R Square	0.860407308
Adjusted R Square	0.83248877
Standard Error	270278.1834
Observations	7

	Coefficients	Standard Error	t Stat	P-value
Intercept	1541642.636	195308.3141	7.893379468	0.000525
X Variable 1	72.12556497	12.99222465	5.551440719	0.002606

Regression coefficient is 72.12 and significance which indicates that with every 1 no. of increase in the startups there is 72 units of change in exports.

6. CONCLUSION

Start-up India is an initiative to create an atmosphere that would promote and maintain business in the country. This is based on a concept to promote start up finance in order to increase employment creation through start-ups.

Start-up India has seen entrepreneurship from all around the country in the previous few years, manifesting that the Start-up India & Start-up India Initiative has been warmly embraced and is being used across all domains, economic strata, and regions. Moreover, the Start-up India Initiative is critical to steering India in the right direction. The most significant aspect is that it engages the country's youth, as start-ups have fresh mind people and come out with new inventive ideas, energy, talents, and new thinking to effectively drive business. In this study we also concluded that there is positive relationship among Start-ups and GDP, BSE index and with Exports. Indeed we can say that the increase in the number of startups will have some positive impact on the values of GDP, Exports and Sensex index also.

India has a big consumer base, and there are opportunities for new ventures in every new category. Infrastructure, education, and healthcare are in desperate need of improvement and innovation. This is an area where startups can make a significant influence.

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