

Stand-up, Step-up, Start-up

■ DR. SWATI SUBODH

A start-up means a venture or undertaking, especially a commercial one. A decade ago the word 'Start-up' would have meant the adventurous career stint that a young millennial indulged in before 'settling down' in a formal corporate culture. Today starting up a company or organization is a preferred professional choice for most freshers and even mid-career professionals. The number of entrepreneurs desirous of designing, and running product-based/process-based/service-based companies is rising. This shift is attributed primarily to the changing mindsets and the evolving economic ecosystems across the globe. India, in particular, is one of the fastest growing start-up ecosystems in the world.

India is considered the 3rd largest start-up hub globally. It is the 7th largest economy in the world by GDP. It is the 3rd largest by purchasing power parity. With an average GDP ranging between 7.5-8 per cent over the last decade, the Indian market is becoming a magnet for investors and entrepreneurs. It is not surprising then, that in India, the number of start-ups is expected to jump to 11500 by 2020 indicating a trend which has the potential to revolutionize the global markets. Thus the mature and stagnating markets of the west are turning eastwards for future economic growth.

The Economic and Social Urgency

While India may be the cynosure of the world, the situation at home is far from rosy. The growth in jobs has not kept pace with India's population which

is growing at 1.2 per cent annually. With a million people becoming age-eligible to join the workforce every month, the unemployment rate is spiraling. The economy is generating fewer jobs per unit of GDP as the growth is primarily capital-intensive; not labour-intensive. This is because of increased automation of processes and services. Plus, rule based jobs are increasingly being replaced by machine run algorithms. In a recent interview, industry veteran, T.V. Mohandas Pai said that by 2025 there will be 200 million unemployed or under employed youth in the country. Considering the social, economic and political repercussions it is imperative that action be taken immediately.

The silver lining to the situation is that innovative and creative jobs, which cannot be replaced by automation are expected to thrive. Newer paradigms are evolving. Studies indicate that 60-80 per cent jobs of the future have not been invented yet. It is expected that creative solutions to existing unmet needs of the communities will be the main thrust behind sustainable entrepreneurial ventures.

The government has launched initiatives such as 'Make in India' and 'Digital India' to blend domestic opportunities while leveraging the youthful zeal of its citizens.

Funding & Investments

Funds are the first hurdle an entrepreneur has to negotiate. The



From 3,100 start-ups in 2014 to a projection of more than 11,500 start-ups by 2020, it is clear that the Indian start-up ecosystem is poised for a massive take-off. In keeping with the robustness of the Indian entrepreneurial spirit, Invention Intelligence is launching a new Column dedicated to start-ups. Over the next few issues, it will detail the key aspects of the Indian start-up ecosystem, celebrate the people who make disruptive start-ups possible, highlight the role of she-preneurs, analyze investment trends, discuss the reasons behind failures, provide clues to success...in short, shine the spotlight on every aspect of the start-up ventures as these explore innovative and novel routes to rewrite the economic future of India.

The first article on start-ups in this issue of Invention Intelligence explains the components of the start-up landscape. It provides a bird's eye view about the need to encourage start-ups, ground rules, skill-leveraging and business assistance schemes.

– Sr. Editor

good news is that Government and private sector are investing expertise and funds under the Start-up-Stand-up initiative in a big way. For example, there is the National Initiative for Developing and Harnessing Innovations (NIDHI), which has committed to ₹ 500 crore in the next 3 years. Attractive tax incentives have been announced. Norms for procurement by Govt. have been relaxed. Additionally, DST (GOI) in association with private players, is running many programmes. Examples include Empower for women entrepreneurs, and DST-Intel Challenge etc., where start-ups, at various stages are being supported. Besides industry-led challenges, the government is also launching programmes through its

S&T organizations where scientists are being encouraged to build an enterprise around their work. The Securities and Exchange Board of India (SEBI), which regulates market capital in India, has relaxed norms for angel funding in the country. The move is aimed at boosting investments in start-ups.

Start-ups in India attracted \$9 billion in 2015 alone; across over 1000 deals. Global investment firms such as Helion Venture and Accel Partners are allocating sizeable chunk of their capital, ranging from 35-72 per cent which translates to \$300-600 million, for investment in early stage start-ups in India. Many believe that more capital inflow, especially for technology entrepreneurs, can push the GDP to 10 per cent.

In the first half of 2016, venture-backed Indian companies, raised \$2.1 billion. The lion's share went to those based out of Bengaluru, Delhi-NCR and Mumbai. Over the last three quarters, start-ups have raised \$3.5 billion which translates to \$13 million invested in them per day!

Although crowd funding in India is currently outside the purview of SEBI guidelines; many early innovators, as well as small and rural entrepreneurs, have raised good seed money on these platforms for their enterprises. Milaap, Crowdera, and Bitgiving are a few examples.

Investors seem to be particularly optimistic on products, processes and services based on mobile-app based consumption/transaction/discovery due to a massive surge of mobile based service adoption in India last year. In 2015, online commerce and on-demand services accounted for 52.5 per cent of funds. Finance & Payment sector made up 8.6 per cent and the health and

education sectors clocked in 4.1 per cent each.

Creating Structure in Chaos

Entrepreneurship can be overwhelming for any new start-up. However, there is help at hand. Explaining the mandate behind his venture, Pranay Gupta, co-founder of the co-working platform, 91 Spring Board, says, "Running a business is a hard thing to do. We want to make sure we take some burden off the shoulders of the entrepreneurs." Over the past 3 years, 91s has seen the number of start-ups, in its hubs across major metros, shoot from 30 to 400. This translates to an exponential growth in triple digit percentage across their hubs, highlighting the crucial roles these ventures play in nurturing start-ups.

It is important to bear in mind that working paradigms for start-ups are quite different from the old school formal workspaces of yesteryears. Co-working spaces are the norm today. A person contemplating to start-up or in early stages of execution can focus on the work and not on the associated logistics like office space, or administrative modalities of running a physical entity. The co-working hubs do not just provide physical space but even value-add to resident start-ups by arranging investor meets, mentoring sessions, and facilitating information sharing etc. At the same time, these provide room for creative collision within the entrepreneur community working under the same roof in an informal and interactive environment.

A revolution is certainly in the offing. There are now numerous accelerators and incubators across the country offering good opportunities and networks to start-up early on. Accelerators work with start-ups on

a tight time schedule while lending exposure to seed capital, mentorship, investor-networks and media coverage. In return they hold equity in the start-ups. Notable accelerators which are active in India are Y Combinator, Catalyzer, 500 Start-ups, and Freemont partners among many other.

Incubators, on the other hand, don't work on tight timelines. These work with start-ups, which are selected by applications or by trusted referrals or sponsors, in very early stages. Incubators may be run by corporate firms, governments, investors or in different PPP models. Active incubators in India include IAN Incubator, SIDBI Innovation and Incubation Centre, IIT-Kanpur, and Life Science Incubator at IKP Knowledge Park, etc. Considering the paucity of government incubators, 20 companies, including Nasscom and iSprit, were recently certified as incubators under the Start-up India Action plan. The government plans to create sector specific incubators along with 500 or so tinkering labs.

The centre and state governments are now reaching out to partner with private sector to build start-up ecosystems. Examples include the T-hub in Hyderabad, a unique public/private partnership between the government of Telangana, IIIT-H, ISB, NALSAR, and key private sector leaders. With T-Hub, the government is working closely with the investor and the partner community to fuel innovation and facilitate enterprise. In just one year, it boasts of 200+ start-ups and has impacted 700+ entrepreneurs.

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