Start-ups
- Ushering in Knowledge Economy

Soumitra Biswas*

Abstract :

[The start-ups script the saga of success for a nation's technological prowess and economic progress. They also offer intellectually stimulating challenges and a great sense of achievement to young entrepreneurs turning them 'job creators' from the 'job seekers'. Many start-ups are premised on the disruptive technologies and business/service delivery models while providing novel solutions. Thus, start-ups with an immense potential for value addition have been aptly described as the harbingers of knowledge economy. With a bouquet of 21 unicorns and over 50,000 start-ups, India is currently ranked third in the global start-up ecosystem. The article gives a snapshot of India's start-up scenario and performance of various stakeholders. It also discusses what ails the start-ups and the likely solutions thereof. The article attempts to chart out a concrete plan of actions and imperatives for the thriving Indian start-up ecosystem to perform, sustain and prosper.]

Preamble

Start-ups are the indicators of innovation capabilities of the citizens thus measuring the competitiveness of a nation as a whole. Majority of the start-ups devoted to developing novel product offering or service delivery design directly contribute to building the knowledge economy. While scripting the saga of a vibrant economic growth, they are the new avenues today for creating a great deal of wealth and simultaneously for generating a sizeable employment in the quickest possible manner. While some start-ups work on the new service delivery models directly catering to the users at large, many of them work on the niche technology areas for very specific end-use. The start-ups such as Ola Cabs, Swiggy, Zomato, Oyo Rooms etc. can be classified under the first category. The start-ups working on novel medical devices, algorithm for improving diesel engine efficiency, design & fabrication of small satellites come under the latter category of start-ups.

* Mr Soumitra Bisws is Adviser (Technology & Innovation), Confederation of Indian Industries. He is adistinguished Scientist with over 28 years of service in the Department of Science & Technology (DST), Government of India and headed the Advanced CompositeProgramme of TIFAC/DST, leading to more than 25 products which recorded significant business volumes for the entrepreneurs.
e-mail id : soumitra2000@gmail.com

An individual's greatest satisfaction comes when his ideas gain wider acceptance and shape into fruition simultaneously generating revenues and jobs thus promising a highly motivational career path for the youths. The start-ups for their very nature of business have a flat and organismic organizational structure as compared to the stable organizations, wherein the operations tend to get bureaucratized over time. Thus, start-ups in the recent past have assumed top order career option for many graduates from the leading schools of business and technology. The success of start-ups depends on an innovative ecosystem comprising incubators with the availability of appropriate technology and hardware systems, effective mentoring, access to easy finance, assistance in the marketing of products and services etc. Such ecosystems have played crucial roles for creating start-up havens in Cambridge (UK), Silicon Valley, Tel Aviv and also in our own Bengaluru.

But as India not only needs to feed 1.30 billion mouths but also would like to reap benefits from 1.30 billion minds, we need myriads of start-ups spawning from multitudes of ideas for every conceivable service, application or social benefit. Realizing the multiplier effect of start-ups for the national economy and also their direct impact on fostering the creativity and innovation, Govt. of India has launched the ambitious programme following the clarion call of *'Start-up India, Stand up India'* by the Hon'ble Prime Minister. Towards building a strong ecosystem for nurturing innovation and start-ups in the country, the 'Start-up India Action Plan' was launched on January 16, 2016 in New Delhi. While the start-ups have been quite successful in e-commerce, and other IT based applications of the services sector till date, they are yet to take off in a big way in the manufacturing sector. We need

to accelerate spreading start-up movement from IT & ITES to a wide array of sectors encompassing agriculture, manufacturing, social sector, education etc.

Start-ups in India – A Glimpse

The start-up scenario has been leapfrogging in India. The country has the third largest start-up ecosystem in the world and is expected to witness a consistent YoY annual growth of 12-15%.Some of the interesting parameters of India's start-up ecosystem are as follows:

o Under Start-up India scheme, only 35,943 start-ups are recognized by DIPP till date (It is estimated that more than 50,000 start-ups are now operational in India). 1300 new tech startups were born in 2019 alone implying there are 2-3 tech startups born everyday.

o Tax exemption for 3 years in a block of seven years

o Tax exemption on investment above fair market value

o A fund of funds for Rs. 10,000 crores created for start-ups and being managed by SIDBI

o IPR Benefits – 80% rebate in patent fees and free legal assistance; 50% rebate in Trademark filing fees

o 22 States have formulated their Start-up Policies

o Self-Certification under Labour & Environment laws – 23 states complied for 6 labour laws; 36 white category industries will not require 3 environmental law clearances

o Faster exit for start-ups – Exit in 90 days in place of 6 months

o Easier public procurement norms – exemptions from EMD and other

requirements such as turnover, past experiences in order value supplied etc.

In a recent move to add the much-needed fillip to the start-up ecosystem of the country, Govt. of India has allowed the 'Corporate Social Responsibility' (CSR) funds to be spent on the incubators engaged in knowledge development in science, technology, engineering and medicine aligned with the Sustainable Development Goals (SDGs). These incubators should necessarily be funded by the Central/State Governments/ Public Sector Undertakings or autonomous organizations under the government. It may be noted that the companies with a minimum net worth of Rs.500 crore or turnover of Rs.1000 crore, or net profit of Rs.5.00 crore are required to spend at least 2% of their average profit for the previous three years on CSR. It has been reported that there exist around 140 incubators and accelerators across the country. The move will make substantial tranches of funds available for boosting the knowledge development and entrepreneurial activities pursued by the incubators.

The success of a start-up is measured by how many of them have graduated to the Unicorn Club. A unicorn is defined as a private company with a valuation of over US$1.00 billion. The global distribution of unicorns is as follows:

Countries >>	USA	China	UK	India	S Korea	Germany
Number of Unicorns	233	227	24	21	11	10
New Unicorns	60	38	10	3	6	2
Years to Unicorn	6.5	5.5	8	7	11	7

[*Source: Hurun Research Institute*]

Currently, India is home to 21 unicorns with the total valuation of US $ 73.20 billion. The fintech company Paytm enjoys 22% share of the unicorn pie with its valuation of US$ 16.00 billion. The top 10 unicorns from India are as follows:

Rank	Name of Company	Valuation (US$ billion)	Sector
1	Paytm	16	Fintech
2	OYO Rooms	8	E-commerce
3	BYJU's	8	Edtech
4	Ola Cabs	6	Mobility
5	Swiggy	3.5	On-demand delivery
6	Zomato	3.5	On-demand delivery
7	Paytm Mall	3	E-commerce
8	ReNew Power	3	New energy
9	BigBasket	2.5	E-commerce
10	Udaan	2.5	E-commerce

[*Source: Hurun Research Institute*]

3.0 Start-up Failures

The start-ups suffer from high mortality rate in the first 3 to 5 years from their inception. It has been reported that 1000 Indian start-ups closed down in 2016. 77% VCs feel that these start-ups lack new technologies (IPR edge) or unique business models. The highest number of failures were recorded in logistics, e-Commerce and food technology. The following could be the major attributes for their failure:

o   No market need: 42%

o   Ran out of cash: 29%

o   Not the right team: 23%

o   Get outcompeted: 19% (lack of IPR)

o   User unfriendly product: 17%

o   Poor marketing: 14%

   Product mistimed: 13%

(Source: www.cbinsights.com - The top 20 reasons start-ups fail)

The global experiences convey that technology-based start-ups fail the most; it has been reported that 75% of such start-ups do not generate any profit, while 90% of them fail completely. Following the strategy of 'fail fast to succeed faster', the organizations tend to learn from their failures for better performance in the future. A study of 120 technology-based start-ups in Canada had revealed that while learning from the failures, they recorded greater scientific output, succeeded in attracting more investment, applied for more new patents and developed novel technologies as compared to other start-ups.

4.0 Start-ups in India – The Imperatives

It calls for major national impetus and corporate initiatives to help builda thriving start-up ecosystem in India. Support to the start-ups through the corporates could be a game-changer in bringing out several successful start-ups from across the sectors of manufacturing, services, agriculture, healthcare from all the corners of the country both from urban and rural areas with a great potential of employment generation.

4.1 Apex Start-up Council

The Apex Start-up Council could play a crucial role in shaping up India's start-up policy and schemes of incentivization by the Government of India and various state governments. The Apex Council, comprising members from the investors, incubators, academia, start-up community and industry, could be mandated with the following activities:

◆   Policy Advocacy with Government of India and State Governments for strengthening start up ecosystem

◆   Connecting start-ups with corporate for all round support: mentoring, investment, supply-chain management etc.

◆   Developing deep-tech start-ups by connecting them with academia/R&D

◆   Creating knowledgebase for start-ups

◆   Facilitating international partnerships for business development/ market access

◆   Attracting investments from India's family business houses in Indian start-ups

◆   Promoting start-ups in defence sector

4.2 Corporate Connect – The Novel Approach

The alarming number of failures for the start-ups calls for newer strategies for their improved success rates. Mentoring

by external experts or providing them easy finance ultimately may not prove beneficial in the long run. It has been mentioned in the earlier section that majority of failures occurs due to their misunderstanding of the market needs. In order to address the market reach and access for the start-ups, a novel approach of providing the essential 'Corporate Connect' may be provided to the start-ups. The approach is based on the premises that when a large corporate house adopts one or a few start-ups working in the areas or allied areas of their business, the start-ups are nurtured with specific knowledge inputs and also supported with adequate finances by the large corporates. In the process, the start-ups develop products or services catering to the needs of the large corporates thus soon becoming an integral part of their supply chain or devise newer technologies for better efficiency or productivity. In due course of time, the corporates may also plan for investing substantially in the start-ups helping them stand on their own feet. Thus, the Corporate-Start-ups partnership should be seen from the business rather than philanthropic point of view. Such a long-term dedicated corporate connect with the start-up will go a long way in helping the ideas germinate into appropriate end-uses and ensuring the success rates of the 'startupreneurs'.

4.3 Global Corporate – Start-up Business Partnership Conclave

To deliberate and mull over the failure and successes in entrepreneurship and innovation, a yearly forum called *Global Corporate – Start-up Business Partnership Conclave* may be organized in different parts of the country. The conclave would be held concurrently with an exhibition of top 200 start-ups from India and abroad selected by a panel of juries and the most innovative corporates. The conclave would comprise separate sessions dedicated to live pitching sessions, round-tables, policy dialogue with the government, inspirational talks by gurus etc.

4.4 Immersion Tours for Start-ups

Start-up delegations from India need to visit different parts of the world, especially the centres of entrepreneurial excellence in the countries such as USA, UK, Israel, Russia, Estonia etc. for their exposure to best practices and to explore global markets.

4.5 Soft Landing Programme for Start-ups for Global Market Access

The programme envisages mutual soft-landing of start-ups between India and other countries. The start-ups from India will be hosted by partner countries and vice-versa by providing free co-working space and all-round support for a specific duration to mature products and services and access local markets. Such an arrangement would provide the opportunity for global start-ups to access Indian market, cross learning of Indian and global start-ups/ecosystems and would also help in exploring partnership of global start-ups with Indian industry and vice versa.

5.0 Conclusion

The creation of a robust innovation ecosystem has been due to the culmination of several aspects – presence of high-quality academic system (knowledge support), technology infrastructure (in terms of availability of special purpose equipment etc.), availability of and access to funds and entrepreneurial spirits. Of the aforesaid factors, several of them can be availed around an institute of higher technological learning. Hence, globally the science & research parks
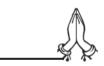
around the top university systems have been the crucibles of innovation. India needs to leverage on the academic assets of IITs, IISc, NIDs, NITs etc. to unlock the fullest potential of the top order creative and innovative minds.

Indian start-ups should focus on more technology embedded products than designing another service delivery model. As the social sector has of late been attracting high investments, start-ups in India should work on products and services targeted to the sector coupled with economic viability. The availability of broadband connectivity to the remote corners of the country will catapult the service deliveries such as telemedicine and the social sector will stand to gain the most from high speed internet access.

The mutual soft landing of start-ups is expected to greatly push the global business connect for the Indian start-ups and also help the start-ups from other countries develop products tailor made for Indian market. This would also promote co-creation by two or three start-ups from various countries with the best utilization of the knowledge pool of the partners.

Govt. of India (DPIIT or MoCA) should direct initiatives in developing a comprehensive database of the Indian start-ups to capture their contact details and the lines of business. The database may be created, maintained and updated and user access may be provided by a professional agency. This would prove quite effective in identifying an appropriate start-up for catering to a specific need for technology or services and grossly improve their outreach in terms of local and global markets.

India's intellectual capital is finding its ideal expression in the form of start-ups, where a business can multiply based on an innovative idea and its implementation. The country would do well by nurturing the entrepreneurial spirit of its talented youths and fostering them with vigour albeit with right care. The blooming of millions of brilliant ideas and their fruition into gainful activities will certainly pave the way for India to embrace knowledge economy in the near future.

When a man begins to understand himself, he begins to live.

But do not try to understand everything and do not get frustrated

if you don't understand something; sometimes it is not to be understood.