



The Role of Startups in Shaping the Future of Indian Economy

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ABSTRACT

The Indian Economy is experiencing a significant boost from the rise of startups. India is now considered one of the world's leading startup ecosystems, contributing significantly to economic growth through job creation, innovation, and expansion into global markets. As a result, India now proudly stands as the third-largest startup ecosystem in the world, and is also ranked as the third most startup friendly country in 2024. According to the Confederation of Indian Industry (CII), Indian startups are likely to create 50 million new jobs and add \$1 trillion to the economy by (2029-30) (FY30). An excellent endeavor to encourage entrepreneurship in India is the Prime Minister's Startup India Campaign. This program will be crucial in helping companies to grow and giving the nation's entrepreneurship a fresh perspective. The goal of the current study is to investigate the potential and difficulties facing Indian entrepreneurs. Taking into account secondary data, this study aims to examine the main problems and challenges faced by Indian startups and talk about the different opportunities available to them. On the basis of finding recommendations are suggested to further development in emerging regions within India. Startups are generating substantial employment opportunities, particularly for young talent, and contributing to GDP growth through their innovative product and services. The burgeoning Indian startup ecosystem is significantly contributing to the country's economic growth by fostering innovation, creating jobs, attracting foreign investment, and transforming industries, making startups a vital force in shaping India's economic future.

1. INTRODUCTION

India, with its growing population and influence, is on track to become an economic superpower by 2047. With projected GDP growth of 7.0 for FY 2024-2025, the country is well-positioned for continued growth. This is driven by a youthful population, increasing consumer spending, rural recovery, digital innovation, and robust growth in manufacturing and services. Startups are a key driver of India's economic growth and innovation, contributing to employment creation, technology and development. Despite slower growth than previous quarters, India's GDP increased by 6.7% in the first quarter of FY 2024–2025, making it one of the largest economies in the world with the greatest rate of growth.

India continues to contribute significantly to economic growth through its service industry, especially in the areas of technology and finance. With a rise in salaried jobs, especially in the services industry, India's labor market is rebounding. The recovery of consumer spending in rural areas is a key factor in growth. Purchasing power in rural areas has increased as a result of easing inflation, especially in food prices. Favorable monsoon conditions have boosted agriculture output, further boosting rural recovery. Reliance on unofficial work, particularly in construction and agriculture, is still problematic, though. One of India's biggest advantages is its youthful workforce, which has a median age of 28.4 years.

Government initiatives focused on skill

development, education, and employability, such as paid internships, are equipping young workers to meet the demands of emerging industries. India's young, talented workforce will be essential in fostering innovation, job growth, and sustainable development as the country approaches its \$5 trillion economic goal. India's economy has a promising future and is well-positioned to assume a prominent position in the world economy.

2. REVIEW OF LITERATURE

Arihant Jain's work titled "Startups Restoring the Indian Economy?" was published in a student magazine from Shri Ram College of Commerce. A Startup Research Findings examines the GDP growth rate and per capita income in relation to the number of new businesses that are registered annually. Comparing different policies across states and nations is the main goal of this research work. This study examines the steps the government has made to encourage an entrepreneurial culture in the nation. Nearly secondary data served as the foundation for the methodology. RTIs have been filed to obtain precise data from the Ministry of Commerce & Industry in order to assess the efficacy of different government initiatives.

Dr. Meenakshi Bindal, Dr. Bhuwan Gupta, and Sweety Dubey's study, Role of Startups on the Indian Economy," was printed in the International Journal of Engineering and Management Research examine the government's initiative to promote the Startup India Scheme. The paper's main goal is to comprehend the different issues that entrepreneurs confront in their early stages. Their research focuses on the value of startups to the country and society, as well as their benefits, like increased job opportunities. The paper is largely dependent on secondary data analysis. Nonetheless, the study aims to understand the problems and difficulties faced by startups. The research focuses on using the demographic dividend to strengthen the nation's startup culture.

Saurabh Chawaria, in their paper titled "Impact of Startups on Indian Economy," emphasizes the various factors that promote entrepreneurship in India. The study examines the determinants that promote entrepreneurship in India. Their study shows various policies, initiatives, that contribute to the advancement of startups in India. Secondary data is used in this research paper. This research paper advocates justifications for promoting entrepreneurship in India. The study emphasizes the challenges faced by the startups and the influence of startups on the Indian economy is indisputable and extensive, injection of funds into the startup ecosystem has accelerated their development path.

3. RESEARCH METHODOLOGY

For this research, secondary data is used. The secondary data are collected from different sources, including books on the subject, articles in reputable journals, newspaper articles, government publications, websites and Google to understand the role of startups in Indian economy. The present study is conducted to achieve the following specific objectives:

- To study the role of startups in Indian economy;
- To study the challenges and issues faced by startups;
- To study the various initiatives & recent changes announced by the government.

4. FACTORS CONTRIBUTING TO INDIA'S GROWTH AND DEVELOPMENT

4.1 A Young and Skilled Workforce

India, which has one of the youngest populations (median age of 28), can take advantage of its demographic dividend by developing a workforce that is ready for industrial demands and has employable skills. India's rapidly expanding 65 percent population is under 35 and many of them lack the skills required by a modern economy. Given the critical role that human capital plays in fostering innovation and economic progress, the Indian government has been aggressively attempting to improve job and

skill development opportunities throughout the country.

4.2 Robust Infrastructure Development

According to the Department of Economic Affairs, India has developed a strong PPP program for the "Implementation of crucial public facilities and utilities." in a methodical manner. India boasts an impressive array of PPP projects, totaling around 2000 initiatives at different stages.

4.3 Foreign Direct Investment (FDI)

Indian startups have a significant positive impact on Foreign Direct Investment (FDI) by attracting substantial foreign capital, boosting the country's image as an innovation hub, and creating a conducive environment for further investments.

4.4 Sustainable Development

Supporting India's economic expansion and sustainable development requires a strong financing system. In addition to encouraging private sector involvement and promoting the adoption of innovations, it guarantees sufficient investment in green technologies, infrastructure, and renewable energy. Resilience to climate change and inclusive growth can be fostered by such a mechanism.

4.5 Education & Healthcare

Education and healthcare are considered crucial pillars for India's economic growth and development, as they directly contribute to a skilled and healthy workforce, leading to increased productivity, innovation, and overall economic prosperity; essentially, investing in these sectors builds human capital, which is vital for a nation's long-term progress.

4.6 Technology & Innovation

Technology and innovation are playing a critical role in driving India's economic growth and development by enabling sectors like IT, healthcare, agriculture, and infrastructure to become more efficient, accessible, and globally competitive, with key areas including digital payments, AI, space technology, and renewable energy, while also fostering a robust startup ecosystem and focusing on skill development to

cater to emerging technologies. India's growing technology sector will help India become a leader in new technologies & industries.

4.7 Internationalization of Rupee

The Indian Rupee is now used worldwide. The RBI has permitted transactions in Rupees in 18 countries, including Singapore, Germany, the UK, and many more. In addition to lowering transaction costs, this will shield the Rupee from the danger of currency fluctuations. The Indian Rupee trade settlement method will be used initially by sanctions-hit Russia and dollar-strapped Sri Lanka.

5. STARTUP ECO-SYSTEM IN INDIA

These businesses operate with agility and a strong entrepreneurial spirit, aiming to disrupt traditional industries and drive positive change in various sectors. India's startup ecosystem is fueling economic growth and technical improvement with new ventures and unique concepts. Startups are dynamic business ventures that deliver innovative products or services to address pressing societal challenges.

Startups ignited a passion for innovation and entrepreneurship across all age groups. The concept of startups fueled people of all ages' drive to be creative and pursue their goals. Startups serve society by resolving challenges that individuals confront on a daily basis, such as ordering groceries at home, booking a ride to work, buying clothes, and paying money online.

India has catapulted to the third position globally in terms of startup ecosystems, boasting over 1,12,718 DPIIT recognized firms spanning 763 districts as of October 3, 2023. This ecosystem is poised for steady growth, with projected annual increases of 12-15%. Notably, Indian startups secured \$11 billion in funding between January-September 2024, mirroring the total funding received in 2023.

To foster entrepreneurship and innovation, the Government of India introduced the Startup India initiative in January 2016, aiming to create a vibrant ecosystem that attracts investments and nurtures startup growth.

6. POSITIVE IMPACT OF STARTUPS

6.1 Job Creation

In India, startups directly employ over 10.34 lakh people in 2023, and this number is projected to rise in the upcoming years, offering a substantial solution to the country's mounting unemployment issues. Startups have a significant positive impact on job creation by creating a large number of new employment opportunities, especially for young talent.

6.2 Boosting Economic Growth

It creates employment opportunities by establishing new startups or businesses so that it is helpful in reducing unemployment rates. Agri-tech companies are creating cutting-edge solutions for supply chain management, precision farming, and market connections, among other areas of agriculture.

6.3 New Investments

Several multinational firms are now delegating their responsibilities to small enterprises in order to prioritize their core capabilities. Due to this trend, both Indian venture capitalists and global firms are actively following the success of Indian startups in order to invest their funds.

6.4 Better GDP

Startups in India have contributed significantly to the country's GDP, and are expected to continue to do so. In 2023, startups and their corporate counterparts contributed about \$140 billion to India's GDP, which is nearly 4% of the country's total GDP.

7. INITIATIVE TAKEN BY GOVERNMENT

7.1 Startup India

Agri-tech companies are creating cutting-edge solutions for supply chain management, precision farming, and market connections, among other areas of agriculture.

7.2 DPIIT Recognition

The Indian government's Department for Promotion of Industry and Internal Trade (DPIIT) is in charge of encouraging innovation, entrepreneurship, and industrial growth in the nation. The Startup India program, one of DPIIT's main projects, uses a variety of plans and

incentives to encourage and grow entrepreneurs in India.

7.3 Startup India Seed Fund Scheme (SISFS)

On April 19, 2021, Shri Piyush Goyal, the Honourable Cabinet Minister for Railways, Commerce and Industry, Consumer Affairs, Food, and Public Distribution, introduced the Startup India Seed Fund Scheme in an effort to strengthen the country's startup scene. Early stages of a startup's development, including proof of concept, prototyping, product trials, market entry, and commercialization, are the focus of the program.

7.4 Startup India Action Plan

On January 16, 2016, an Action Plan for Startup India was released. The 19 action items of the action plan cover topics like "Purification and guidance," "Funding support and incentives," and "Incubation and partnership between industry and academia."

7.5 Atal Innovation Mission

The Atal Innovation Mission (AIM) is a flagship program put up by the NITI Aayog in 2016 to foster innovation and entrepreneurship across the length and width of the country.

With an expanded area of activity and a budget of Rs. 2,750 crore, the AIM 2.0 program has been approved for the period ending March 31, 2028. AIM's goals are to establish and foster an innovation and entrepreneurship ecosystem at the educational, research, MSME, and industry levels throughout the nation.

8. LEGAL REQUIREMENTS TO ESTABLISH A STARTUP

A corporation, entity, or business must be formed under one of the following legal frameworks in order to qualify as a startup: Registered under the Companies Act of 2013; Registered as a partnership firm under Section 59 of the Partnership Act of 1932; or Registered as a limited liability partnership under the Limited Liability Partnership Act of 2002.

9. CHALLENGES FACED BY A STARTUP

9.1 Access to Funding

One of the biggest obstacles Indian

companies confront is getting funding. Securing the required funds might be challenging, despite the fact that there are many funding possibilities accessible, such as government programs, angel investors, and venture capital. A lack of a track record, poor financial predictions, or an undeveloped company strategy are some of the reasons why many businesses find it difficult to draw in investors, particularly in the early phases.

9.2 Regulatory Compliance

Another major obstacle for entrepreneurs is navigating India's complicated regulatory landscape. Numerous licenses, permissions, and registrations are required by the nation's regulatory structure, which can be expensive and time-consuming. The burden is further increased by regular modifications to tax legislation and compliance standards.

9.3 Talent Acquisition & Retention

For startups in India, attracting and keeping great people is a typical difficulty. Startups frequently find it difficult to compete with larger organizations that provide greater benefits, higher pay, and job stability since they have fewer resources. It can also be challenging to locate qualified experts who share the startup's values and objectives.

9.4 Infrastructure & Logistics

Limited infrastructure and logistical obstacles may impede the expansion of startups, particularly those in industries such as e-commerce, logistics, and transportation. Factors such as inadequate road infrastructure, ineffective logistics networks, and unstable electricity supply may lead to higher operating expenses and hinder the potential to expand.

9.5 Intellectual Property Protection

For startups, particularly those in the media, technology and creative sectors protecting intellectual property (IP) is essential. However, obtaining intellectual property rights in India can be a difficult, expensive and time-consuming procedure. Also, there is a significant risk of IP infringement and piracy, which could hinder innovation and corporate expansion.

9.6 Market Competition

Startups often struggle with the ambiguity and unpredictability of policies and laws, since rapid changes in legislation have a significant influence on their company operations and investment choices. Establishing consistent and unambiguous legal frameworks is crucial for creating a favorable atmosphere that promotes the expansion and ingenuity of startups.

Figure 1: Rapido's Competitors and Alternatives

Overall Rank	Company	Short-description	Funding Amount		Most Investors	Website (Approx.)
1 st	 Rapido Bengaluru, au (india, Series D)	App-based ride-hailing aggregator	\$529M	WestBridge Capital ; 90	WestBridge Capital ; 9 30	79 M
2 nd	 Ola Gurugram, India, Later	Provider of an-demand ridesharing platform	\$3,9 B	Matrix Partners India ; Softbank	Matrix Partners India ; Softbank	67 M
3 rd	 DOT Gurugram, India, Seed	Electric bikes Operate electric scooter rental platform	\$67 M	Vear Shipping I-SAN	We Capital Others 9140	45 M
4 th	 Bounce Bengaluru, India, Later	Provides a bike taxi booking mobile application	\$207M	Accel , S Capital Geap Qualcomm	Accel , B Oualcommv	4,3 M
5 th	 Halo Mumbai, India, Seed	Mobile application for book bike taxi rides	\$18 M	GEMS	GEMs	1,4 M
6 th	 Hyre Hyderabad, India, Seed	Electric bike taxi sharing platform	\$1M	India ndisclosed	Not disclosed	1,3 M
7 th	 Uber San Francisco, United, Later	Electric scooter sharing platform	\$252 B	Berichmark, Mexia Ventures	Benchmark Meelo ventures SoftBank	1,2 M
8 th	 BluSmart Gurugram, India, Deadpooled	Electric taxi booking mobile application service	\$45 M	BP Ventures	BP Ventures	1,2 M
9 th	 Yulu Bengaluru, India, Series B	Electric scooter rental platform	\$103 M	Magna Informationl Elgal Auto	Magna Baisi, Auto	1,1M
10 th	MX Taxi Gurugram, India, Deadpooled	Bike taxi hailing app	\$1,4 M	WeedBridge Capital ; India Quolltent	WestBridge Capital India. Outtert	1,5 M

SOURCE: [#competitors-and-alternatives](https://tracart.com/d/companies/rapido/___u2bFphXICp_5jdZw9GHfMJMQR766dffQpvZLifY_kfq)

10. Rapido Success Story: A Comprehensive Case Study

10.1 Company profile of Rapido

Rapido's journey began in 2015, with the company's inception. It was developed on a logistics and supply-chain-driven concept that allowed clients to transport their goods with convenience and comfort. Things were going well for Rapido, but one of its co-founders and an IIT alumnus, Aravind Sanka, saw that shifting gears from B2B to B2C would give the company more potential to grow.

In the B2C model, the company could no longer deal with trucks and had to transition to bikes to meet clients' expanding transportation needs. And employing automobiles would add to the company's financial load, as well as increase competition, traffic, and delays.

As a result, with the sole purpose of making their customers' journeys easier, Sanka and his other two partners, Rishikesh SR and Pavan Guntupalli, began working with a small team of 15-20 people who sowed the seeds for Rapido and made the business's success possible through sheer hard work, persistence, and dedication. The founders of Rapido realized one thing: Ola and Uber would never be affordable to everyone on a regular basis, and traffic in large cities would only worsen. As a result, they designed a plan to sidestep some of the more obvious problems and established a successful online bike taxi aggregator platform.

10.2 Rapido's Market Position:

SWOT Analysis

10.2.1 Strengths:

- Zero Commission Model: Attractive for drivers, resulting in a larger pool and speedier service.
- Focus on Auto-Rickshaws: Offers cheaper operational expenses than autos and targets a specific market group.
- Focus on Tier-2 and Tier-3 Cities: Lower competition relative to metros facilitates market penetration.

10.2.2 Weaknesses:

- Lower Revenue Potential: Reliant on

alternate revenue streams, which may require time to establish.

- Brand Recognition: May not be as well-known as major ride-hailing businesses.
- Limited Service Offerings: Focusing on auto-rickshaws may limit user base compared to multi-vehicle systems.

10.2.3 Opportunities

- Expansion to New Markets: Tier 2 and Tier 3 cities have substantial growth potential.
- Partnerships: Collaborate with corporate or local businesses to ensure rides.
- Introducing New Services: Diversify your offers by exploring options like carpooling and bike rentals.

10.2.4 Threats

- Competition: Established firms entering a market segment or offering comparable commission structures.
- Regulations: Government rules can effect pricing and operational models.
- Shifting Consumer Preferences: Changes in commute preferences can impact demand.

10.3 Funding and Valuation

Rapido, a ride-hailing app, became a unicorn in September 2024 after raising \$200 million in funding. The capital round was led by WestBridge Capital, a previous investor in Rapido. Other investors included Nexus Venture Partners, Think Investments, and Invus Opportunities. The fundraising round valued Rapido at \$1.1 billion. Rapido will utilize the capital to expand its activities, including its four-wheeler taxi service. Rapido, India's first and largest bike taxi service, faces obstacles such as competitiveness, regulation, and safety concerns as it competes with Uber and Ola.

10.4 Competition

Rapido competes with larger ride-hailing businesses such as Ola and Uber. Rapido competes with other regional ride-hailing providers. Rapido competes with traditional automobiles in several cities. Rapido faces regulatory challenges, such as the Motor Vehicle Aggregator Policy and the EV Policy. As Rapido grows, the government may enact new

regulations that affect company activities. Rapido has been chastised for its rapid driver verification process, which could raise safety concerns. Some drivers have claimed back pain as a result of lengthy hours spent driving in traffic.

10.5 Other challenges

Rapido may face problems in increasing their EV fleet and establishing charging infrastructure in underdeveloped locations.

Rapido may confront issues in managing user acquisition and reducing fraud. Rapido may prioritize profitability as it grows and seeks additional funding.

11. SUGGESTIONS

- a. The government should provide skills and entrepreneurship education to students so that they can start their own venture.
- b. The government should raise awareness among students about the multiple benefits and opportunities in the startup.
- c. The government should introduce schemes to provide financial, infrastructural and regulatory support to startups.
- d. The government should enact reforms to make it easier for startups to do business.
- e. States can develop policies to provide funding, mentorship and market access to startups.

12. CONCLUSION

In conclusion, Startups are generating substantial employment opportunities, particularly for young talent, and contributing to GDP growth through their innovative product and services. The burgeoning Indian startup ecosystem is significantly contributing to the country's economic growth by fostering innovation, creating jobs, attracting foreign investment, and transforming industries, making startups a vital force in shaping India's economic future. However, still the Indian government has a crucial role to play in positioning India. Initiatives like "Startup India" are playing a crucial role in creating a supportive environment for entrepreneurs and facilitating startup growth. Department for Promotion of Industry and Internal Trade (DPIIT) acknowledged more than 1.4 lakh (1,40,803) Indian startups as of June 30, 2024. However, in order to boost India's economy and GDP, the government must encourage and support more startups in the country. All things considered, Indian startups have a promising future. Indian startups have the ability to significantly contribute to the nation's economic development and growth if given the proper encouragement and assistance. ■

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