

Members In Industry

The Tiger Awakens: India's Rise as the World's Best Start-Up Ecosystem



India potentially has one of the very best start-up ecosystems in the world. With an estimated 20,000 ventures, the country has the world's third-largest start-up ecosystem and is home to 20 start-ups valued at a billion dollar or more. It has the highest number of billion-dollar ventures per the number of start-ups than any other country in the world, averaging at one Unicorn for every thousand ventures, despite receiving only around \$8 billion in average start-up funding each year. This, for a country that really started out on the global start-up arena barely a decade and a half ago, is more than impressive. The Chartered Accountants, as a 'must have' for business and industry today, are playing a crucial facilitating role in this phenomenon. This article will look at the various factors which have driven the growth of the Indian entrepreneurial ecosystem and have played a role in establishing the country into a promising land full of entrepreneurial and professional opportunity.



CA. Anuj Golecha

(The author is a member of ICAI, Active Angel Investor and Founder of Venture Catalysts. He can be reached at anuj.golecha@gmail.com)

The New Land of Opportunity: How India's Start-Up Ecosystem is Successfully Taking on the World

What does it mean to be successful?

If that question had been asked to an Indian barely a decade ago, the most-likely answer would have

Members In Industry

revolved around securing a well-paying job, buying a good home and a decent car, getting married, raising a family, providing good education to the children, and retiring on a comfy pension. This was the traditional Great Indian Dream, where stability and comfort held prominence. Not a bad dream, by any stretch of imagination.

But things have changed drastically in the intervening time. The world is more interconnected today. We are ordering everything – from pizzas to groceries to the latest couture to cabs and long-distance travel arrangements – at the touch of a button. Such access to instant gratification has led to a concomitant transformation in the way Indians approach and define success.

Evolving Sensibilities of New-Age Indians and Rise of Entrepreneurial Class

This change in the priorities and mentality of modern-day Indians is also giving wings to the country's start-up ecosystem and has transformed it into a high-potential global entrepreneurial hub – currently one of the very best in the world.

Sounds too implausible, does it? A quick look at the numbers will be more than enough to dissipate all of your doubts. Home to an estimated 20,000 start-ups at present, India is the third largest start-up ecosystem in the world. In terms of the number of start-ups, the country is behind only the large economies of China and the US, which have around 1 million and 650,000 start-ups, respectively. This achievement, for a country that really started out on the global start-up arena barely a decade and a half ago, is more than impressive.

But it isn't the sheer quantum of ventures that makes India such a bright light on the entrepreneurial stage; it also is the exponential value that the country's start-ups are driving through innovation. With 20 ventures valued at a billion dollar or more operating from within its borders, India also has the third biggest Unicorn Club in the world.

What's even more impressive is the fact that it has the highest number of billion-dollar ventures per the number of start-ups than any other country in the world. India averages at one Unicorn for every thousand ventures and receives only around \$8 billion in start-up funding each year. In comparison, the US has one Unicorn for every 6,500 ventures, China has one for every 27,000 ventures, and Israel

What's even more impressive is the fact that it has the highest number of billion-dollar ventures per the number of start-ups than any other country in the world. India averages at one Unicorn for every thousand ventures and receives only around \$8 billion in start-up funding each year.

has one billion-dollar venture for every 2,000 start-ups; the average annual investment secured by start-ups in these countries is \$100 billion, \$60 billion, and \$15 billion, respectively. In terms of the returns on the value of investment, those are some pretty amazing numbers.

Factors Facilitating India's Rise as the Global Start-Up Juggernaut

So, what makes India – a relative new entrant in the global start-up landscape – such a promising land full of entrepreneurial opportunity? There are several factors that have been driving the country's prominence as a major start-up hub. Primarily, it has to do with the sheer unrealised business opportunity within the country. There are more than 1.3 billion potential digital consumers in the country. That's a big opportunity – most of which hasn't even been realised, unlike the more developed economies. From e-commerce start-ups and fintech players to retail-focused ventures, entrepreneurs have been tapping into India's latent market potential to increase the brand value of their start-ups and drive these innovative ventures to success.

But the massive business opportunity that it represents is not the only thing that is causing India to be realised as the *new* entrepreneurial hotspot. Several other factors have been integral to the exponential rise of the Indian start-up landscape, some of which are listed below:

- **Socially-driven Entrepreneurship**

Entrepreneurs typically establish their start-ups when their founders identify a big market white space and seek to address that need-gap. In India, however, most start-ups come with an added caveat. It is not only about the money for Indian entrepreneurs. It *can't* be: the country's economy is neither inherently capitalistic, like that of the US is, nor is it completely state-

Members In Industry

controlled, like China. The thing that would come closest to even beginning to define the India economy is a liberal socio-capitalist setup within a loose federal framework. In a country as diverse as India, this leaves a lot of room for social entrepreneurship, as well as for business ventures which are able to strike the fine balance between the social and the commercial aspects.

Take Paytm, for instance, which has been transforming in pace with the changing requirements of the Indian consumer base. Starting out as a prepaid mobile and DTH recharge solution used mostly by college students, it is today one of the biggest digital commerce and payments platforms and currently the most valuable start-up in the country, following Flipkart's sale to Walmart. It also helped millions of Indians, across multiple geographies, tide through the cash crunch that followed the 2016 demonetisation drive and helped businesses sustain their operations without disruption of services. In effect, start-ups such as Paytm have paved the way for India's cash-based economy to take the first steps towards becoming a digitally-driven economy by providing a seamless, swift, efficient, and easily accessible alternative to paper transactions.

Faircent.com is another example of successful social entrepreneurship. The peer-to-peer (P2P) lending platform has been utilising technology to provide seamless access to credit to creditworthy borrowers across the country. The borrowers on Faircent.com mostly comprise new-to-credit individuals, small and medium businesses, and students – consumer segments which have been overlooked by traditional banking and financial institutions as risky investments. It is therefore surprising that the non-performing assets, or NPAs, on P2P lending platforms such as Faircent.com are actually much lower than that of established BFSI players. The impact that fintech players such as Faircent.com have created in India have led the Reserve Bank of India to recognise the space as NBFC-P2Ps, a market segment in its own right.

- **Support from the Central and State Governments and regulatory bodies**

Institutional support is critical to driving the growth and scale for any sector, as well as ensuring its long-term success. Indian start-ups have been extremely lucky in this regard. The government – both in the Centre and in various Indian states – have provided gratuitous support to the country's booming start-up ecosystem, putting it on an accelerated growth trajectory. Initiatives such as Digital India and BharatNet have helped in increasing digital connectivity across geographies, thus helping drive the adoption of digital technology-based services and solutions that most start-ups offer. Other more sector-oriented programmes, such as 'Start Up India, Stand Up India', have also played a pivotal role in simplifying the process of launching a new business, and are providing emerging ventures with the handholding, funding support, and other incentives.

The Securities and Exchange Board of India (SEBI) also made some major relaxations in the regulations governing Alternate Investment Funds. Not only did it reduce the minimum amount of investment made into a start-up from INR 50 lakh to INR 25 lakh, but also lifted the restrictions on the number of angel investors in a start-up from 49 to 200. The minimum lock-in period was also reduced from the erstwhile 3 years to just one year, allowing early-stage investors to realise value on their investments more swiftly. In doing so, SEBI provided HNIs across India with a huge incentive to look at start-ups as a viable asset class, thus stimulating the early-stage funding activity and increasing investment opportunities for start-ups during the initial phases of their business operations. Such institutional support has helped in not only nurturing a more conducive environment for start-up growth, but has also stimulated the Indian investment landscape.

Moreover, several state governments have also partnered with leading ecosystem players to provide incubation, investment, mentoring, technological, and networking support to innovative business ideas from the next wave

Members In Industry

of entrepreneurs. The Government of Uttar Pradesh, for instance, tied up with Venture Catalysts in February 2018 to facilitate investments of up to INR 500 crore into UP-based start-ups till 2022. The move is aimed towards building a holistic, end-to-end entrepreneurial support ecosystem in the region and to nurture capacity-building partnerships with key stakeholders in the state.

- **Corporates promoting entrepreneurship and nurturing start-ups**

Start-ups and corporate businesses have an extremely symbiotic relationship. Using technology as an enabler, start-ups cause disruption and create novel business opportunities in stagnant markets. Corporate players then capitalise on these emerging opportunities and technologies by using their

Start-ups and corporate businesses have an extremely symbiotic relationship. Using technology as an enabler, start-ups cause disruption and create novel business opportunities in stagnant markets. Corporate players then capitalise on these emerging opportunities and technologies by using their substantial resources and established brand presence.

substantial resources and established brand presence. This is why several leading corporate organisations are now fostering start-up innovation, either in-house or by providing investment, mentoring, and networking opportunities to newer businesses.

A prominent example of this approach is HDFC RED, a real estate-focused marketplace that lists new properties and provides tech-led marketing services to property developers. Despite being a 100% subsidiary of HDFC Limited, the business operates on a lean and agile start-up model and has been disrupting the space with its innovative use of AR/VR technologies, as well as advanced machine learning capabilities. Global players such as Microsoft, SAP, and Qualcomm have also launched start-up focused initiatives in India to further bolster the country's innovation quotient.

- **The push towards entrepreneurship from the academia**

Of all key stakeholders within a business ecosystem, the academia is often the last to respond to any disruptive changes. This is not the case as far as the Indian start-up ecosystem and top educational institutions are concerned. Many of the most prominent Indian start-ups have been founded while the entrepreneurs in question were still pursuing their higher education, and have been incubated till scale at various innovation labs situated at top academic institutions across the length and breadth of the country.

Many academic institutions, such as IIM Lucknow, IIT Delhi, and IIT Kanpur, have gone a step further in their aim to nurture the next wave of successful entrepreneurs and serial investors from within their ranks. In addition to partnering with top accelerators and incubators to provide a conducive environment for innovative business ideas, these institutions have also been using their strong alumni networks to provide funding and mentorship opportunities to emerging ventures.

For example, IIT Delhi Alumni Association has recently entered into a partnership with Venture Catalysts to provide present and future investors from the institute access to high-profile investor education events, joint pitches, global summits, boot camps and conclaves.

- **Entrepreneurship-Focused Reality Shows Bringing more Visibility to the Start-Up Landscape**

There is nothing more powerful for an emerging business than gaining the public limelight with a story well told. Not only does it expose their products and services to a larger target audience, but also helps them in gaining the brand visibility that can help them secure better investment opportunities. Gaining the said limelight, however, has traditionally been a big challenge for emerging ventures, especially at the early stages of their growth. This challenge is being addressed by new-age, entrepreneurship-focused reality TV shows such as *MTV Dropout* and *The Vault*.

Members In Industry

The Vault, for instance, brings top investors, business persons, and serial entrepreneurs in touch with high-potential start-ups from across the country on one podium in an entertaining, game show-inspired format. These interactions help the next wave of entrepreneurs to showcase their products and innovative business ideas to a group of seasoned business persons in a bid to secure seed or growth funding. It also provides an opportunity to highlight their entrepreneurial journeys, their struggles and challenges, and their solutions to business challenges.

Something similar has been done by *MTV Dropout*, a show which highlighted the latent entrepreneurial potential in the country by encouraging a handpicked bunch of college dropouts to come up with disruptive business ideas. The youth-oriented show served to drive home the point that the failure to obtain a college degree alone cannot be a limiting factor in the pursuit of innovation, and that business ideas with a high potential can come from anywhere. With stories ranging from inspirational to impactful delivered in an entertaining format, such shows have helped in raising awareness about entrepreneurship amongst audiences across India, inspiring more people to make the entrepreneurial leap.

— ■ —

Ask any Indian what it means to be successful now, and most of them will firmly reply with a “doing my own thing” without batting an eyelash. The new generation of Indians no longer prioritises material comforts and stability, even if it appreciates them. Rather, they crave fulfilling personal experiences and explosive growth.

— ■ —

Ask any Indian what it means to be successful now, and most of them will firmly reply with a “*doing my own thing*” without batting an eyelash. The new generation of Indians no longer prioritises material comforts and stability, even if it appreciates them. Rather, they crave fulfilling personal experiences and explosive growth. They are taking risks their predecessors would not have taken, and reaping the just rewards for their ambition. Their dreams have changed in step with their ever-altering realities. The entrepreneurial ecosystem in India is growing – and with it, the country’s stature as the new land of opportunities. And the journey is barely just beginning. And this journey is being ably facilitated by Chartered Accountants in various capacities across all echelons of business and industry. ■



GO GREEN with ICAI Opt for e-Journal and Go Green

In accordance with ICAI's GO-GREEN agenda, let us decide to discontinue receiving hard copy of *The Chartered Accountant journal*, since e-Journal is available in PDF and user-friendly e-Magazine formats on http://www.icai.org/new_category.html?c_id=259. Additionally, hyperlinked *Journal Highlights* are emailed regularly to all members. As thoughtful citizens and members of a responsible noble profession, let us support I GO GREEN WITH ICAI and preserve our environment. Please visit http://www.icai.org/new_post.html?post_id=12763&c_id=240 and say YES to discontinue receiving our individual hard copy.

— Editor