



STARTUPS IMPACT IN INDIAN ECONOMY

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ABSTRACT

The study explores Fintech solutions' dynamic adoption and implementation in the Indian banking sector. It emphasizes the significant transformation fintech has brought globally, focusing on India's leading role in this evolution. Through a mixed-methods approach combining case studies and data analysis, the study investigates fintech's history, current status in India, and challenges traditional banks face. It aims to examine the drivers of fintech adoption, assess its impact on banking operations, and suggest directions for future advancements. The research identifies a substantial fintech adoption rate among Indian banks, including industry giants like HDFC Bank, primarily in blockchain and mobile banking technologies. Case studies from Axis Bank and Kotak Mahindra Bank illustrate successful integration practices while highlighting ongoing challenges in regulatory frameworks and technological infrastructure. The study notes improvements in customer satisfaction and operational efficiency as significant impacts of fintech on banking operations. It also forecasts the potential of emerging fintech trends, such as artificial intelligence and blockchain. The paper concludes with policy recommendations to foster fintech growth, emphasizing the collaborative effort needed among regulators, banks, and fintech firms to create a conducive environment for fintech innovations.

Keywords: Fintech, Blockchain, Mobile Banking, Regulatory Frameworks, Technological Infrastructure and Artificial Intelligence.

Introduction

According to the government announcement, a startup will be defined as an organization that develops, commercializes, and innovates new goods, services, or procedures powered by technology-related intellectual property. India has seen a cross-country outpouring of business ventures. The government has launched a new program called “Start-up India” to build a robust ecosystem that will support innovative start-ups at the grassroots level and spur widespread employment opportunities and long-term economic growth in the nation. Using this initiative, the government hopes to enable start-ups to flourish via their creativity and inventiveness. The main goals of this paper are to provide an overview of India’s current innovative start-up environment and highlight some of the related challenges the country is currently facing. It does this by comparing countries’ and states’ approaches and identifying the most successful. It also highlights the efforts that the Indian legislature is making to improve innovation to foster the growth of the start-up ecosystem.

Objectives of the study

1. To study the impact of startups on the Indian economy.
2. To know about the initiatives to be taken for startups.

3. To encourage the nation’s startup community to grow strong, support innovation, and give aspiring business owners a platform.

Review of Literature

Nishith Desai (2016) states, “To become a successful organization, a start-up has to face numerous issues that should be dealt with with smart moves and a lot of thought and order.”

Badra (2017) – In the initial years, due to great zeal and tendency towards excellence, new businesses generally tend to showcase talent and creativity, which requires a great and regular amount of finance.

Espark Viridian (2017)- As said by NASSCOM, by the end of 2020, some 11,500 start-ups would be employing nearly 2.5 lakh people, compared to 75,000 occupants presently. One of ASSOCHAM’S reports states that these startups will produce more rich figures in the coming years, and tycoons will be primarily driven by innovation.

Mishra (2018), in the existing empirical entrepreneurship literature, primarily demonstrates a positive relationship between entrepreneurship and economic expansion. Arihant Jain, (2017) “Start-ups Restoring the Indian economy.”

Importance of Startups on The Indian Economy



Elite international investors now view India as a nation full of potential. With a big population, substantial unexplored markets, and various cultural backgrounds, coupled with government policies that encourage entrepreneurship and enterprise, the Indian economy is drawing in high-profile investors like a magnet. The fact that start-ups in India produce useful and creative solutions that make life easier can be used to measure the significance of startups in the country—rapid scaling results in an increase in employment at all levels.

The travel and hospitality sector is predicted to generate 52.3 million jobs by 2028, the food tech sector to generate 9 million jobs by 2024, and Indian software and services companies to generate half a million new jobs by 2030. Starting businesses use their cutting-edge technology to become outsourcing hotspots, which results in a valuable influx of foreign exchange. Fintech startups are quickly closing the country's microcredit availability gap with low-cost digital solutions for thin-file customers. A higher standard of living is being attained by Tier II and Tier III cities as they encounter greater opportunities. India's GDP also benefits greatly from startups. Critical industries such as Fintech, Edtech, Cleantech, and Health Tech have all

developed new business models that, in a sense, guarantee social parity by connecting to even the most remote customers. Indeed, the younger generation in India is tech-savvy and receptive to novel concepts, trials, and advancements.

Startup in India

An important initiative of the Indian government, Startup India aims to foster innovation and grow startups. Through this initiative, the government intends to empower start-up businesses to promote entrepreneurship, economic growth, and employment throughout India. In Tier 1, 2, and 3 cities, as well as in semi-urban and rural areas, the government's action plan will aid in hastening the growth of startups in all significant sectors of the Indian economy and boost entrepreneurship. The comprehensive report by Grant Thornton (2016) offers an insightful overview of the startup landscape in India, showcasing the rapid growth and the challenges faced by startups in the country.

Reasons for setting up Startups in India

India's prosperity is the goal of Startup India. The funds to launch their business are often a barrier for many ambitious individuals. They thus miss out on opportunities for wealth creation, economic expansion, and employment, and their ideas, talent, and capabilities

remain unrealized. Through proactive support and incentives at various levels, Startup India aims to enhance economic development and entrepreneurship by allowing individuals to innovate and launch their businesses with a boost.

Impact of Startups

Increased job openings: India's unemployment rate is a major issue. The majority of new jobs that are created come from startups rather than large businesses. Due to their lack of constraints and vulnerability to economic downturns, startups can oversee a larger workforce. Technological advancements will greatly enhance operations and reduce operating costs. The new technology eliminated production costs. To lighten the workload, startups in India will look for or develop new technologies. Many international corporations will express interest in investing in India when new technologies are embraced, and demand rises.

Increased service outsourcing: To focus on their core competencies, many global corporations increasingly outsource their work to smaller businesses. Once these fledgling businesses establish their abilities, many more businesses express interest in outsourcing their work to India, which will help India become an expert in that area. India, for instance, is quickly emerging as a global center for VFX.

Large corporations are outsourcing their work to India, significantly affecting the economy. Arihant (2017-18) emphasizes the restorative impact startups have had on the Indian economy, highlighting their role in stimulating innovation and generating employment.

Greater inflow of capital into the Indian market: As start-ups provide jobs, people begin to spend money on goods and services, which raises government revenue and the flow of capital into the country, stimulating the economy. **GDP growth:** As people's income rises, they spend more money in the marketplace, directly impacting a nation's economy. **Raises the standard of living:** When people are wealthy, they will begin to purchase high-quality goods to raise their standard of living, boosting demand for these goods and benefiting the economy. Demand for related services is rising. Many companies that provide start-up support services, like marketing, registration, and human resources departments, also generate employment, which benefits the economy.

Startup Policies and Incentives

Launched by The Government

Prime Minister Narendra Modi unveiled a significant "Made in India" initiative in September 2014 to advance the assembly sector by encouraging businesses to allocate resources. The fight is supposed to pique



interest in distant conjectures and inspire local businesses to become involved in the production, thus contributing to the development narrative. A three-year industrial license extension, for example, and the online filing of income tax returns are among the examples of established processes. In almost all segments, the government increased the cap on foreign direct investment. Using cutting-edge technology and a redesigned foundation, the licensed innovation privileges of innovators and makers are protected. The dynamic nature of the startup ecosystem in India has been significantly shaped by policy initiatives such as 'Startup India', which aim to foster a conducive environment for startups across the nation (Ghosh & Anshul, 2016).

Standup India: The Prime Minister wants to put together frameworks for empowering start-ups to make the country the top location for new start-ups. He announced "Standup India," a second initiative in August 2015, aimed at encouraging young Indians to start their businesses and providing bank subsidies. On January 6th, 2016, the Union Cabinet approved the Standup India initiative to promote Start-up culture among women and scheduled tribes and castes.

Digital India is a government-driven initiative aimed at ensuring that all citizens of India have access to government services via online platforms. The Prime Minister announced plans to launch Digital India in July 2015.

Startup India Seed Fund Scheme

Financial assistance to startups for proof of concept, prototype development, product trials, market entry, and commercialization. Chandiook (2016) discusses the rapid evolution of India's startup ecosystem, marking it as the world's fastest-growing, driven by innovative solutions and a robust support framework.

Need for Startup India Seed Fund Scheme

Access to capital is crucial for entrepreneurs during the initial growth phases of their ventures. Startups typically gain access to funding from angel investors and venture capital firms only after demonstrating a viable proof of concept. On the other hand, banks usually offer loans to applicants who can provide tangible assets as collateral. Thus, offering seed funding for startups to carry out proof-of-concept trials is vital.

Such financial support allows startups to reach a stage where they can secure further investments from angel investors and venture capitalists or obtain

loans from commercial banks and financial institutions. The Department for Promotion of Industry and Internal Trade (DPIIT) has launched the Startup India Seed Fund Scheme (SISFS) with a funding allocation of INR 945 Crore. This scheme aims to provide financial aid to startups for activities such as proof of concept, prototype development, product trials, market entry, and commercialization. Over the next four years, it will assist 3,600 entrepreneurs through 300 incubators.

The Hon'ble Prime Minister of India announced the scheme in his Grand Plenary address at Prarambh: Startup India International Summit on 16th January 2021. After EFC and the Hon'ble Finance Minister's approval, the scheme was notified on 21.01.2021. The Seed Fund will be disbursed to eligible startups through eligible incubators across India.

Conclusion

India has a sizable and diverse population, with many young people seeking employment. Although development in the country has been moderate, it is still underway. The government has attempted to break free from the detrimental aspects of its colonial past by understanding the

fundamental causes of the key problems and implementing the necessary reforms, primarily in labor, administration, and the economy. The government has undertaken major approach activities with a robust development plan, realizing that innovation-led enterprise improvement holds guarantees for development.

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