Unlocking a new era of growth for the Indian start-up ecosystem

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Steve Jobs once said, “I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance.”

The start-up ecosystem in India has rapidly evolved in recent years. Since the official recognition of ‘start-up’ by the country’s legislature in 2016, almost every segment in the start-up ecosystem has witnessed exponential growth. India has become the world’s third-largest start-up hub with almost 29,000 start-ups recognised with the Department for Promotion of Industry and Internal Trade (DPIIT) as of February 29, 2020. Global investors have poured money into Indian start-ups, encouraged by improvements in the ease of doing business and the regulatory framework.

The turbulence of the COVID-19 pandemic is reshaping India’s economic landscape, taking a harsh toll on many businesses while opening new avenues of development. Success in these uncertain times will not only require a great deal of innovation, but also to borrow from Jobs’ maxim, a good measure of ‘perseverance.’

COVID-19 has morphed into a Darwinian “survival of the fittest” test for many businesses, and as the global economy slowly recovers from the outbreak, it is now time for policymakers, enablers, advocates and subject-matter experts to return to the drawing board to chalk out a sustainable and productive roadmap for the Indian start-up ecosystem.

The rapid development of Indian start-ups has resulted in gaps in the policy framework that need to be plugged and streamlined. The current policy framework lacks convergence among various government initiatives, programmes and schemes.

Digital is blurring the boundaries between industries through innovation and technology. Finding the right mix between unconstrained settings that foster innovation and more controlled climates bound by dedicated laws, poses a major challenge. Given the pace of digital disruption, future regulatory needs are difficult to anticipate, and the aim should be to take start-ups to the next level of maturity, providing them the support to be globally competitive.

Unlocking innovation:

There is an increasing push towards the consumption of indigenous products and a subtle evolution from “Make in India” to “Innovated, Developed and Made in India”. While the pandemic has caused significant disruptions for businesses at large globally, many Indian innovators-turned-entrepreneurs and existing start-
ups have pivoted their business models to capitalise on the sudden and sharp rise in demand for new categories of products and services.

The world is also transitioning from globalisation to “digi” globalisation, i.e. digital services are now the backbone of almost every other transaction. Regulations will now need to delve into sector-specific interventions, in order to address newer ideas and innovations vis-à-vis traditional approaches. One interesting theme is the inter-play between government and larger businesses investing in capacity building and infrastructure that start-ups can harness to address the evolving demands of Indian consumers.

**Consolidation and collaboration:**

A key learning from the Indian micro, small and medium enterprises (MSME) sector has been the importance of uniformity in objectives and approaches between Central and state governments. We have an umbrella initiative encompassing all other programmes and stakeholders. For start-ups, a “one size fits all” approach cannot work given the immense diversity in the ecosystem.

When the government launched the Start-up India initiative in 2016, the key agenda was to recognise start-ups and its catalysts, introduce a vision for the ambitious programme and unlock innovation from homes and garages. The programme is now expected to be canvased to foster collaboration, cooperation and collectiveness. In the last two years, more than 15 Indian states have released start-up policies and institutionalised dedicated teams and programmes for the start-up ecosystem in their respective states. This shows that the state governments are in sync with the central objectives of giving a formal recognition and push to the start-up segment.

Technology is also playing a pivotal role in aligning the objectives of stakeholders across the nation. Several stakeholders such as incubators, accelerators, investors, etc. have already adopted collective approaches, and in a short span, we will see this getting replicated at a large scale. In comparison with the MSME sector, it may take the start-up ecosystem a much shorter span to witness this paradigm shift.

**Global to global:**

As policymakers focus on increasing the attractiveness of local enterprise and on fostering ease of doing business, global interest will likely intensify. This is set to be a major catalyst in Indian start-ups going global. Of late, there has been a huge demand for Indian products which are either now ready for international customers or preparing to go global. With the removal of impending barriers, higher capital will flow, while inward knowledge transfer will aid in market linkages to enable Indian entrepreneurs to compete at a global level.

**Conclusion:**

The Indian start-up ecosystem in the pre-COVID-19 era was undoubtedly on a growth trajectory. From Central to state governments, there was a push from every corner of the economy. This played a significant role in helping entrepreneurs propel their businesses. Unlike other sectors that have been affected by COVID-19, the pandemic has not halted the growth of start-ups, but rather augmented efforts to recognise and realise the need for innovation, custom regulations, indigenous products and digitisation. For the start-ups that “persevere”, the post-COVID-19 world represents exciting new frontiers.
1 Steve Jobs interview with Daniel Morrow, Computerworld Information Technology Awards Foundation, 1995

2 Problems being faced by Indian start-ups, Department for Promotion of Industry and Internal Trade, accessed March 4, 2020