

A

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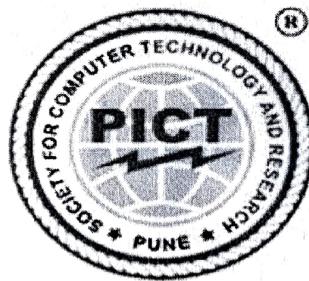
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ABSTRACT

The traditional industry/corporate houses are less relevant in comparison to the current business scenarios as today's new businesses are merging into a widely networked environment circumventing the industrial and information era thus making the brick and mortar companies of yesterday diminish their worth.

Earlier startups were created in a startup ecosystem that was demarcated by a place like Silicon Valley,Boston. Today's entrepreneurship is a global occurrence that needs an interconnected landscape, with less money and consumers adopting the new technology at surprising speed. The critical role of the startup ecosystem in financing the ventures, making available the talent and skill has made innovation that was never clean or linear possible. India competing with China to become the fastest growing economy, the rise of the Indian Startup ecosystem is the result of a convergence of multiple factors. Consumers going online have massively increased due to smartphone technologies, supported by increase in income levels and desire for consumption while on the other side there has been a huge increase in entrepreneurial and technological talent.

The Indian startup ecosystem has available funding, some skilled labor and is still not equipped with required infrastructure. Opportunities are plenty but India is yet to reach the Internet economy. Though the creation of startups in India has made “business” a highly worthwhile career beyond the traditional trading community, the policy journey for achieving startup creation and success at massive scale needs refinement,integrating simplicity and effective execution with continuous improvement based outcomes.

INTRODUCTION

In the new global economy, startup firms have been considered a key player in economic development. The reasons for their significance are their contributions to job creation (which increases employment) and economic growth at the regional, national, and industrial levels.

It's a matter of great pride that India is ranked 68th out of 137 countries as per the Global Entrepreneurship Development Institute. This appears nothing but moderate, if we consider the performance. Its strength areas, where its performance is above its overall score, are in product and process innovation, internationalization, opportunity start-up, risk acceptance, opportunity perception and robust competition in the marketplace. Its performance on human capital is broadly at par with its overall performance. In broader terms, India's USP lies in its ability to identify the opportunities and risk-taking, which in turn links to its capabilities in product innovation and a healthy attitude towards globalization thus, seeking new markets beyond the home base. India has proven its mettle for entrepreneurship and exhorted us to grow exponentially in innovation. India, in global context, has increasingly pioneered in "frugal innovation" in which products meet acceptable performance standards and features which are often aimed at the bottom of the pyramid of consumers and associated with an extremely low cost for the consumers.



However, experts also point towards the concerns about India's investing in technology, technological partnerships, the need to stay abreast of current trends, greater labor market flexibility and a more supportive education and training system.

Amidst these strengths and weaknesses, it is encouraging to note that India has managed to be the second -largest hub of startups in terms of numbers of exciting startups.

- ❖ As per the Startup Outlook report 2019 (Feb) ,two factors make India appealing as a startup
 - First, is the cost of doing business which is low because of proximity between customers and vendors.
 - Second is the mammoth size of the domestic market along with a huge base of internet users. Interestingly, India is also the second largest consumer internet market in the world (overtaking China)with around 500 million internet users. Obviously, it has never been as easy and cheap as today to launch digital products or services in India, courtesy, the economics of digital innovation.

While technology is evolving and our population gives us an edge, the government at the top is pitching in its energies to promote entrepreneurship in India. Digital India is an umbrella program to prepare India for a knowledge based transformation.

OBJECTIVE AND RESEARCH METHODOLOGY

❖ Objective :

- The study has been geared to achieve the following objectives.
- To study an in-depth understanding and performance of the startup ecosystem in India.
- To identify the role of Incubators in producing and nurturing successful business ventures.
- To study the policy measures taken by the government in fostering entrepreneurship culture and setting up university business incubators.
- To discuss the availability of grants to academic institutions for establishing the incubators in their premises.

❖ Research Methodology :

- **Data Collection Method :** This study has been carried out with the help of secondary data only, all the data has been collected from the various sources such as websites & reports and compiled as said by the need of the study.
- **Sources of Data Collection :** The study is based on the published data. For the purpose of present study, the data was extracted from the various newspapers, journals, articles and websites particularly from Niti Ayog and the Department of Industrial Policy & Promotion (now DPIIT) has been used. Startup Outlook report 2019, States Startup Ranking Report 2018 by DIPP and Global Innovation Index 2019 Report has also been analyzed. Data available from the above mentioned report have been analyzed using representative figures as and when required.

STARTUP SPLIT BY REGION & SECTORS

India is the world's youngest nation with 64% of its population in the working age group, so it's no secret that the startup ecosystem in India has evolved exponentially in recent years. According to a recent NASSCOM report, India is the third largest startup ecosystem in the world and is expanding to become more global.

State	Startups
Maharashtra	2587
Karnataka	1973
Delhi	1833
Uttar Pradesh	1129
Telangana	748
Gujarat	712
Haryana	710
Tamil Nadu	709
Kerala	461
West Bengal	417
Madhya Pradesh	384
Rajasthan	371
Andhra Pradesh	259
Orissa	251
Bihar	178
Chhattisgarh	168
Jharkhand	116
Uttarakhand	108
Assam	106
Punjab	102
Jammu and Kashmir	63
Goa	61
Chandigarh	52
Himachal Pradesh	27
Pondicherry	19
Manipur	11
Nagaland	7
Andaman and Nicobar Islands	4
Arunachal Pradesh	4
Tripura	4
Dadra and Nagar Haveli	3
Daman and Diu	2
Meghalaya	2
Mizoram	1
Sikkim	1

Figure 1: Startup split by geographical distribution of the recognized startups
Source: States Startup Ranking Report by DIPP 2018, India

India has Startups working in industries ranging from Fintech to Food-tech and Robotics to AgriTech. The following figure highlights the top 10 industries where startups recognized by the Department of Industrial Policy & Promotion, operate.

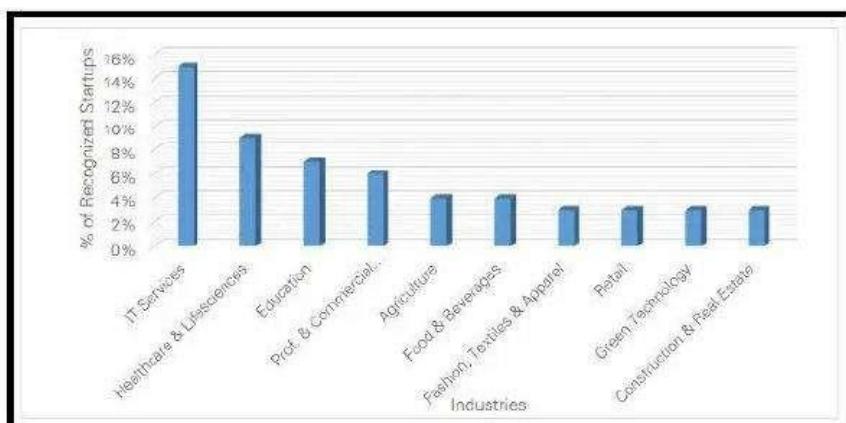


Figure 2: Spread of startups across India recognized by Department
Source: States Startup Ranking Report by DIPP 2018, India

STARTUP ECOSYSTEM

A **startup ecosystem** is formed by people, startups in their various stages and various types of organizations in a location (physical or virtual), interacting as a system to create and scale new startup companies. These organizations can be further divided into categories such as universities, funding organizations, support organizations (like incubators, accelerators, co-working spaces etc.), research organizations, service provider organizations (like legal, financial services etc.) and large corporations. Local Governments and Government organizations such as Commerce / Industry / Trade departments also play an important role in the startup ecosystem. Different organizations typically focus on specific parts of the ecosystem function and startups at their specific development stage(s).

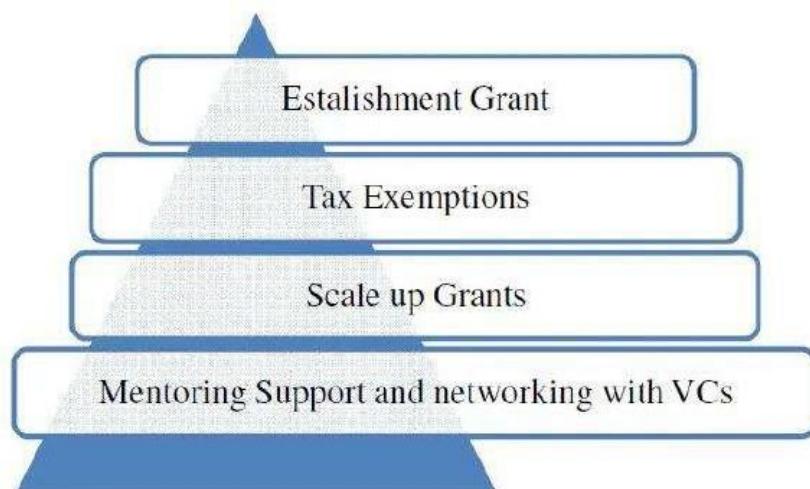


Figure 3: States Startup Ranking Report by DIPP 2018, India

Ecosystem – A simple definition

Everything that exists in a particular environment, the whole group of living and nonliving things that make up an environment and affect each other. An ecosystem is a community of living organisms in conjunction with the non-living components of their **environment** (things like air, water and mineral soil), interacting as a system. These biotic and abiotic components are regarded as linked together through nutrient cycles and energy flows.

'Business Ecosystem' The network of organizations – including suppliers,

distributors, customers, competitors, government agencies and so on – involved in the delivery of a specific product or service through both competition and cooperation. (www.investopedia.com/terms/b/business-ecosystem.asp)

An **entrepreneurial ecosystem** or **entrepreneurship ecosystem** refers to the social and economic environment affecting the local/regional **entrepreneurship**. The **concept** of an entrepreneurial ecosystem refers to the collective and systemic nature of entrepreneurship. New firms emerge and grow not only because heroic, talented and visionary individuals (entrepreneurs) created them and develop them. New ventures emerge also because they are located in an environment or "ecosystem" made of private and public players, which nurture and sustain them, making the action of entrepreneurs easier.

What makes a great ecosystem and how it can be improved for the Entrepreneurs who inhabit it?

An ecosystem brands entities living together in an environment. It should be clear that those entities live healthier, extended, and contented lives if that environment is healthy. Entrepreneurial ecosystem has three typical essentials –

- **Capital** - a business cannot be launched without infrastructure and that requires money. (capital tied to tangible assets);
- **Know-how** - require knowledge workers such as designers, engineers, salesmen as these skills are necessary to innovate and grow business;
- **Rebellion** - A businessman always is in search of something new, and challenges the given situation;

All three essentials are present, in flexible proportions, in every country. But the most important thing is not simply their relative presence or absence in a certain place; rather it is the degree to which they mix within the entrepreneurial part of the economy.

Talent, Density, Culture, Capital, and Regulatory Environment – composition

of these five factors will make a right ecosystem for a startup to thrive.

It is worth taking a closer look at the factors that draw companies to these particular places :

Talent – Future innovation requires skills developed in the country hence investment in talent building is necessary.

Investing in human capital – Countries are attracting varied skills of talent to promote diversity in the workplace.

Create flexible labor markets – Countries are promoting entrepreneurial visas, visas based on certain skills, for example Canada, Hong Kong, Philippines.

Support new learning experiences for a competitive workforce – Hands-on skills are in demand, hence the curriculum is undergoing a change. Example: Estonia government started teaching coding at the age of seven.

Density – Talent has to be created in mass to promote innovative businesses.

Foster startup density – Creating a density of talented thinkers and makers dramatically increases the potential for successful ventures to emerge.

Support cluster growth – Governments are promoting business clusters as face to face entrepreneurial interaction promotes competition as well as collaboration.

Drive awareness through media – Through marketing and promotions, attracting more investors, and using convening powers to bring people together.

Build networks & mentors – Sharing information about new technologies, success stories, desired skills, and experts in the local market are great for innovators for example Microsoft, Google partner networks.

Culture – a fundamental quality of a businessman to become a role model in his

activities.

Open and risk-taking culture – Governments develop a critical asset of a startup community conducive to entrepreneurship by highlighting entrepreneurs as role models, celebrating failure as the next step to success, promoting jobs for startups, and fostering public-private communication.

Highlight entrepreneurs as role models – Promote the successful entrepreneurs in your market tech or otherwise and make a point of telling the whole story not just their success, but also their failures and how they recovered.

Accept failure as part of the learning process – The appetite for radical change is what drives the culture but failure as a virtue is counterintuitive, and a fear of failure has been shown to hinder innovation.

Foster public-private communication – Communication between the public and private sectors encourages a direct dialogue with the community, creating a positive feedback loop through which businesses can help the government develop policy that supports innovation.

Capital – Access to experienced capital can be helpful to coach the founders in growing their business.

Funding / Smart Capital – Policymakers can make it easier for startups to access capital and can create tax incentives for investors to help create more of that capital.

Provide access to capital – Government funding structures should be designed to meet and change with the needs of the local ecosystem, keeping in mind that more money does not necessarily lead to success.

Create incentives for new and experienced investors – Governments can share, promote, and support best practices with regard to tax incentives for entrepreneurship and encourage more people to reinvest their gains in businesses.

Regulatory Environment – Prediction in business policies is vital and regulations play a supportive role to create a competitive environment.

Stable / Supportive Regulatory Environment – Countries should focus on the ease of starting and closing a business, tax policy, intermediary liability protections, maintaining a global web, patent protection, formalizing alternative funding models, and R&D.

Increase the ease of doing business – Putting registration processes online, reducing or eliminating minimum capital requirements, simplifying post-registration procedures (tax registration, social security registration, licensing), creating one-stop shops for registration, and reducing bankruptcy penalties are some of the steps.

Focus on tax policy – Companies of all sizes want a predictable and stable tax system in order to do business. Tax policy can be a very effective policy lever to influence entrepreneurial activity.

Create intermediary responsibility and safe harbors – Internet services like email, video conferencing, or online storage solutions services lower the barriers for small businesses, stimulate employment, and drive entrepreneurship.

MAKING IT POSSIBLE

The merging of technology and talent has given a boost to Indian startups who are founding their businesses with a disruptive customer value intention fulfilling the entrepreneurial dream.

To make this dream a reality, momentous energy, means and spirit will be required with different stakeholders playing the right role. Creators of startups should adopt global business models and address issues that are significant to India and the subcontinent. These creators are young, because of lack of experience believe in learning by doing and hence have a chance of making mistakes. The mistakes result in unnecessary delays for the solutions to be marketed at times proving disastrous to these startups.

The startup journey needs continuous Government support helping these ventures to make right choices by creating more progressive policies to cultivate the right culture and encourage them to solve the country's problems. Every startup business depending upon the industry will vary in their development cycle. For example startups who plan to bring in social impact will take a longer time to reach self-sustainability but will create significant eco-social value. Hence there will be unbalanced expectation of such ventures becoming commercially viable in the near term. Government can provide incentives in different forms to the ventures that are crucial for the country by tax and depreciation benefits, subsidies for raising capital, energy concessions and priority norms.

Corporations in India can play a vital role in designing the future of these startups by even providing opportunities and capital to these new ventures to compete globally. Combination of reformed government policies, help in raising capital from various sources, guidance from established entrepreneurs and academia can be the right ways to set free the real budding potential of the startup ecosystem.

MAKE IN INDIA - STARTUP INDIA

Make in India campaign was launched in September 2014 with an objective of revitalizing manufacturing businesses and accentuating crucial sectors in India amongst growing concerns that most entrepreneurs are moving out of the country. India is a country rich in natural resources. Labour is plenty and skilled labor is easily available. With Asia developing as the outsourcing center India wants to be the nucleus for investors in the world, supporting various new business initiatives and boosting the Indian economy.

Startup India is a flagship initiative of the Government of India, envisioned to build a strong ecosystem for cultivating innovation and startups in the country that will energize sustainable economic growth and create large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

The middle class is gearing up to improve the quality of life using technology and it's quite common to see someone quitting their job to either start a venture or work for a new venture. The growing and established companies are all trying to service the profitable class of the country.

Viewing the startup scenario in America, failure is often seen as a stepping stone to success. Considering the vast majority of startups failing in India, and these failures frowned upon, Indian business culture must start to scrutinize its tolerance for such failures, and instead gain knowledge from these failures to be applied to future success.

US startups' access to funding is easier and can be achieved on the basis of a strong concept as they have the opportunity to prove value proposition by releasing their products to test markets. Whereas in India a startup concentrates more on monetization, revenue and lean operations from the beginning as funding is limited and the business has to earn for itself missing out on opportunities.

India has structural and innovation problems. Breadth – ecosystem spanning across the economy of numerous sectors, Scale – the size of the companies in each sector and Depth – number of companies in each sector, are the three foundation stones that help these startups to prosper. Though India may have breadth in the form of food delivery, cab aggregators e-Commerce cornering the startup scenario, but also spreading to Biotech, Software as Service (SaaS), medical devices, digital media and Fintech startups, these companies are yet to achieve reasonable scale.

The rise of the Startup wave in India is a comparatively new phenomenon. India is today experiencing a fundamental shift with entrepreneurship & innovation being primary promoters in job creation and solving everyday problems. Few years ago, there used to be only a handful of Indian Startup success stories such as MakeMyTrip.com and Naukri.com. But now, with successes such as Flipkart, Quikr, Practo, Zomato, and Inmobi, the Indian Startup Ecosystem has indeed come a long way.

Regardless of the number of startups that have sprung up, only a small percent of population falls under the domain of the ecosystem as these startups are concentrated in a few metros and sub metros of the country. Also bulk of these are B2C projects with their concentration largely restricted to information technology assisted merchandise and services such as e-commerce, aggregators, analytics, Internet of things, health-tech, and online payments.

Changes are happening in the areas of Self-certification, creation of a startup Hub for knowledge and early finance, developing a single Mobile App for startups to interact with Government, Legal support, Procurement norms, Funding, Guarantee for funds, Exit policies, Taxation and Capital gain policies, Arrangement of Fests and seminars for startups to showcase innovation, harness private sector help for Incubation and setting up research parks with an objective to keep the compliance cost low allowing these startups to concentrate on their core business.

CONCLUSION

Opportunities exist for startup companies as the ecosystem has a policy, mentor, finance, technology and infrastructure support for development and growth. To realize this growth integration of policies, keeping it simple and effective and will be crucial. Though the government support needs to be scaled up, companies will face a challenge in identifying the right consumer need to pursue its innovation. Of course this will depend upon the capability to innovate at the right time and generate revenue to support growth.

Demonetization will be a game changer providing a platform to electronically transact, boosting the digital economy, giving the Indian startup ecosystem an opportunity to nurture growth based on economic, social and happiness dynamics in the country.

The crucial role universities play in supporting the creation and development of high technology enterprises-currently called technology-based enterprises-has aroused great interest in India. India is all geared up to create socio-economic impact across business systems around the world in the near future. Startups form the core of this movement and need incubators that are set up with a motive to make them into scalable and profitable enterprises. Startups will be able to unfold their potential and think of innovative solutions to enhance quality of life.

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