



## India's Startup Boom

**For Prelims:** Startup India Seed Fund Scheme, National Startup Awards, SCO Startup Forum, Prarambh

**For Mains:** Startup Ecosystem and its Significance

### Why in News?

According to figures presented in Parliament in December 2022, over the last five years, the number of registered **startups** in India have grown from 452 in 2016 to 84,012.

- Many of them are located in the cloud, **which refers to the servers and data storage that are accessible through the internet**, and storage companies are offering a variety of incentives to lure and retain them.

### What is the Role of AWS Cloud Services in India's Start-up Boom?

#### ▪ About:

- AWS, or Amazon Web Services, **one of India's largest providers of cloud-based services, has provided start up credits that allow aspirant startups** to use a suite of services from computing, storage and hosting for free.
- AWS has **helped "compress" the lifecycle of a startup**, allowing them to become more innovative.
- Cloud services **mean that they can simulate experiments on the cloud**, run tests, fail, and learn from it.
- India has the **world's third-largest startup ecosystem** after United States (US) and China and therefore, **one of the biggest markets for such cloud services**.
  - Some of the companies supported by AWS included: **HealthifyME, which developed an app called 'Vaccinate Me,'** which allowed feature phones to book close to 50 million vaccination-appointments.
- AWS also powered the **Ayushman Bharat Digital mission** as well as the Cowin system for **Covid-19** vaccinations.

#### ▪ India's Cloud Computing Market:

- India's cloud computing market was expected to **grow at 28.1% during the forecast period until 2027**.
- The high concentration and increasing number of **small and medium-sized businesses in India that are rapidly shifting towards cloud computing** is emerging as the major driving factor for the market.
- Furthermore, **growing investment towards the construction of cloud data centres** is expected to boost the India cloud computing market.

### What is the State of Start-ups in India?

#### ▪ About:

- 49% of start-ups are from tier-2 and tier-3 cities.

- As of September 2022, India is home to **107 unicorns with a total valuation of USD 340.79 Billion**.
- According to the India [Venture Capital](#) Report 2021 published by Bain and Company, **the number of cumulative start-ups has grown at a CAGR of 17% since 2012 and crossed 1,12,000**.
- **Major Challenges Related to Start-ups in India:**
  - **Lack of Forward Thrust to Innovation:** India's education system lacks [vocational training](#) and industry exposure that keeps students deprived of pursuing innovation. As a result, this makes the Indian higher education system lag behind in terms of research and development.
  - **Lack of Recognition:** Since nearly 70% of the Indian population lives in rural areas that are still deprived from [reliable internet access](#). Consequently, many village-based start-ups go unrecognised and are deprived of government funding initiatives.
  - **Bootstrapped Nature:** For running a start-up, a significant amount of working capital is required. Many start-ups in India, especially at early stages, are bootstrapped, i.e., self-funded through the founders' own savings, since domestic financing is limited.
  - **Scalability Concern:** Small start-ups in India have limited understanding of customers and are confined to only certain regions, where they know the local language and local people.
  - **Marginal Penetration in Space Sector:** Indian startups in fintech and e-commerce are doing exceptionally well, but space startups remain outliers.
    - Globally, the space economy is valued at USD 440 billion, with India holding less than 2% of the market.

## What are the Government's Initiatives for Startups?

- **Startup India Seed Fund Scheme (SISFS):** It aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization.
- **National Startup Awards:** It seeks to recognize and reward outstanding startups and ecosystem enablers that are contributing to economic dynamism by spurring innovation and injecting competition.
- **SCO Startup Forum:** The first-ever [Shanghai Cooperation Organisation \(SCO\)](#) Startup Forum was launched in October 2020 to develop and improve startup ecosystems collectively.
- **Prarambh:** The 'Prarambh' Summit aims to provide a platform to startups and young minds from around the world to come up with new ideas, innovation and invention.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

**Q.** What does venture capital mean? (2014)

- (a) A short-term capital provided to industries
- (b) A long-term start-up capital provided to new entrepreneurs
- (c) Funds provided to industries at times of incurring losses
- (d) Funds provided for replacement and renovation of industries

**Ans:** (b)

**Explanation:**

- Venture capital is a form of fund for a new or growing business. It usually comes from venture capital firms that specialize in building high risk financial portfolios.
- With venture capital, the venture capital firm gives funding to the startup company in exchange for equity in the startup.
- The people who invest this money are called venture capitalists (VCs). Venture capital investment is also referred as risk capital or patient risk capital, as it includes the risk of losing the money if the venture does not succeed and takes a medium to long term period for the investments to

fructify.

- **Therefore, option (b) is the correct answer.**

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