

# The startup story's just starting



## Synopsis

For India to ascend to the summit of the world's leading startup ecosystems by 2030, it demands dynamic policies from the incoming government, nurturing a vibrant culture of innovation, and concerted collaboration among all stakeholders. With the requisite elements already in place, including the impressive growth and resilience shown by current startups, valuable lessons abound for budding entrepreneurs. By adopting a progressive outlook centered on enduring, sustainable, and conscientious advancement, our startup ecosystem has the potential to evolve into a remarkably innovative, inclusive, and globally sustainable entity.

Since **Startup India** launched in 2016, over 1,12,000 **startups** and 115-plus unicorns have emerged, valued at \$350 bn (2024). Yet, as the new **government** is sworn in, there's more to be done.

## Look within

Self-regulation is critical for fostering a vibrant and creative environment among startups. Recent instances of corporate mismanagement, financial discrepancies and neglect of governance protocols have surfaced, raising concerns among investors and stakeholders.

It's essential for startups to adopt a self-regulating approach with a governance framework focused on fostering a culture of accountability, transparency and ethical conduct in business operations. Government or regulatory intervention resulting from consistent corporate governance lapses will stifle **innovation** in the long term.

**Startup20 Engagement Group**, formed under India's **G20** presidency last year, put forward recommendations on corporate governance that startups would greatly benefit from adopting, in addition to complying with relevant regulations. Focusing on areas such as auditing, finance and financial management is a must for all founders.

### **Funds matter**

Access to patient capital remains a critical challenge for Indian startups, especially in deep tech sectors. **India** needs to create a substantial fund earmarked for deep tech startups, which will begin to bridge this gap. By providing long-term financial support through AIFs, this initiative will fuel innovation and facilitate sustainable growth in the deep tech **startup** ecosystem.

We need to increase domestic sources of capital for startups. Foreign **funding** accounts for 75% of funds flowing into Indian startups. A large pool of funds exists domestically, and a portion can be channelled towards startups. Large institutions, such as insurance companies and pension funds, can set aside a portion of investible surpluses to invest in startups.

Family businesses and family offices can take on the role of angel investors or provide seed funding.

Government may facilitate this process. Increased Indian funding must drive India's startup movement. With India's innovation and ingenuity, the key lies in betting on ourselves. Combined with a drive for inclusivity, this approach will make India an architect of innovation.

### **Skilling it**

India's premier educational institutions like IITs, IIMs, IIITs and engineering colleges must take a forward-looking view and design curricula to address India's acute shortage of new-age skills in areas such as product development, prompt engineers, data scientists and AI-ML experts, among others. The ascent of startup hubs like Bengaluru, Delhi and Mumbai, ranking 20th, 25th and 31st globally, respectively, underscores their significance in fostering innovation and **entrepreneurship**, hosting 80% of India's startups.

India must expand startup ecosystems beyond these hubs, nurturing innovation centres in diverse locations. Offering opportunities within educational institutions and emerging startup cities for young entrepreneurs and skilled professionals is crucial for advancing India's entrepreneurial landscape.

### **Women power**

Addressing gender disparity is imperative for fostering diversity and inclusivity in India's startup ecosystem. Only three of the top 20 **VC firms** have women partners. Promoting women's representation in leadership roles within firms is crucial for unlocking untapped talent and perspectives, ultimately driving innovation and growth in the startup sector.

This is not to say the entirety of action lies on the shoulders of the startup ecosystem. Government is playing an important role in creating an enabling environment. **National Quantum Mission**, IndiaAI Mission and Semiconductor Mission, along with the recently announced ₹1 lakh crore fund for R&D, are a few examples. They need expeditious implementation.

With progressive government policies opening up space, geospatial and defence sectors, India's startup landscape has seen a surge in dynamic ventures. Leveraging India's cost advantage, these startups have the potential to propel the nation into a new era of space exploration, positioning India at the forefront of the global aerospace industry.

### **Think aur kuchh**

Regulators will have to prepare themselves for technological upheaval and be ready to think of out-of-the-box solutions. We must strive to devise a vibrant ideas ecosystem in India that rewards innovation and makes India the world's innovation hub.

India's path to becoming the world's leading startup ecosystem by 2030 necessitates vibrant policies from the incoming government, fostering a thriving culture of innovation, and collaborative efforts from all stakeholders. The country possesses the necessary elements for success. Existing startups have demonstrated impressive growth and resilience, offering valuable insights for aspiring entrepreneurs.

By embracing a forward-looking approach focused on long-term, sustainable and responsible growth, our startup ecosystem can emerge as a highly innovative, inclusive and sustainable ecosystem globally.

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