

# The Startup Story's Just Starting

-By Amitabh Kant

India's startup journey has been remarkable, growing from a fledgling ecosystem to the world's third-largest hub for innovation and entrepreneurship. Since the launch of Startup India in 2016, over 112,000 startups and 115+ unicorns have emerged, valued at US \$350 billion as of 2024.

Yet, there's more to be done. We now need to propel India to the forefront of the global startup landscape in the next five years. We are on the brink of a transformative era, on which India must capitalize. Vast opportunities exist in areas such as AI-ML, big data, the energy transition, EVs, quantum computing, genomics, 3D printing, robotics, drones, and space amongst many others. Unlocking the full potential of these advancements demands collaborative action from policymakers, entrepreneurs, and educational institutions.

Firstly, self-regulation remains crucial for fostering a vibrant and creative environment among Indian startups. Recent instances of corporate mismanagement, financial discrepancies, and neglect of governance protocols have surfaced, raising concerns among investors and stakeholders alike. It's important 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. The Startup20 Engagement Group, formed under India's G20 Presidency last year, put forward recommendations on corporate governance that Indian startups would greatly benefit from adopting, in addition to complying with relevant regulations. Due focus on areas such as auditing, finance, and financial management are a must for all founders.

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

Thirdly, we need to increase domestic sources of capital for startups. Currently, 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, pensions funds, can set aside a portion of investible surpluses to invest in startups. The government may facilitate the same. Family businesses and family offices can take on the role of angel investors or provide seed funding. 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.

Fourthly, India's premier educational institutions such as 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, AI-ML experts, amongst others. The ascent of startup hubs like Bangalore, 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 centers 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.

Fifthly, addressing gender disparity is imperative for fostering diversity and inclusivity in India's startup ecosystem. Only three out of the top 20 VC firms in India have women partners. Promoting women 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. The government is playing an important role in creating an enabling environment. The National Quantum Mission, India AI Mission, and Semiconductor Mission, along with the recently announced Rs. 1 lakh crore fund for R&D, are just a few examples. They need expeditious implementation on ground. With progressive government policies opening up sectors like space, geospatial, and defense, 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.

Sixthly, regulators will have to prepare themselves for the technological upheaval and be ready to think of out of the box solutions. We have to strive to devise a vibrant ideas ecosystem in India, one that rewards innovation, and makes India the innovation hub of the world. India's path to becoming the world's leading startup ecosystem by 2030 necessitates vibrant policies, a thriving culture of innovation, and collaborative efforts from all stakeholders. India possesses the necessary elements for success. Existing startups in India 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, India's startup ecosystem can emerge as a highly innovative, inclusive, and sustainable ecosystem globally.

\* The author is India's G20 Sherpa and former CEO, NITI Aayog. Views expressed are personal.

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