

STRAT UP INDIA FOR SUSTAINABLE ECONOMIC GROWTH : A NEW BEGINNING

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ABSTRACT

The Indian economy is on the verge of a major turning point as we now look back at the global financial crisis and move ahead towards economic revival. The crisis had an unanticipated and significant impact on the Indian economy but it also exposed one of the economy's major weaknesses - the industrial sector, particularly the manufacturing sector. Consequently start up India campaign was first announced by Prime Minister Narendra Modi in his 15 August, 2015 address from the Red Fort. This research paper analyses the ease of doing business in India currently and then to understand the opportunities for the startups and their future. It concluded that- India continues to falter on various sub-indices such as starting a business, dealing with construction permits, getting electricity, registering property, paying taxes, trading across border, enforcing contracts or resolving insolvency there are few states that have grown well in terms of ease of doing business. Environment appears conducive for the startups in future after the launch of GST and skill development programme of Union government.

Key Words: *Startup, Ease of doing business, Skill development, Government*

INTRODUCTION

A startup is an entity that is headquartered in India which was opened less than five years ago and has an annual turnover less than ₹25 crore (US\$3.7 million), MUDRA Bank, a new institution set up for development and refinancing activities relating to micro units with a refinance Fund of ₹200 billion (US\$3.0 billion) The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 such startup support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the

Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs). (startupindia.gov.in)

OBJECTIVE

- To understand the current scenario of ease of doing business in India.
- To understand the opportunities in India for the startup and
- To explore the future prospects of startups in India.

REVIEW OF LITERATURE

Kasturi, et.al., (2014) studied that small scale industry (SSI) growth has been considered vital for employment generation, industrial production and export promotion in Indian economy since independence in 1947. Accordingly, India adopted a dual-pronged strategy for SSI promotion characterized by Start-ups and small scale industry growth in India. Jain, S. (2016) studied the growth of startup ecosystems in India. India is a developing south Asian country. It is a most populous and 7th largest country by area. Large population implies a large prospective market in India and puts more pressure for employment in the country. In the present decade, India is undertaking an essential shift towards startup welcoming policies and a business friendly environment. India is a populated country having increasing demand which is putting a competitive environment forcing to create innovative systems, India has conducive environment for growth of startups but mindset and infrastructural support is required. Agrawal, et.al.,(2017) describes that how India can be essential to the global ecosystem economy, India due to its market, and favorable land– labour conditions will be the one of the most attractive destinations of investment in startups. Sarkar, (2016) described that startup India is a new paradigm for young entrepreneurs, which is the need of the hour. Chatterji, et.al.,(2017) performed a field experiment in the Indian startup ecosystem for learning to manage, they explore that how to manage the startup efficiently can be learned for the successful startup in India. Ansari, et.al., (2017) studied the impact of Goods and service tax(GST) on Indian Startups and summarized that to make the startups more organized GST will provide the favorable platform and ease of doing business in India. Agarwal,(2016) elaborated in a study that entrepreneurship and entrepreneurial practices are

the prerequisites for the robust growth of Indian economy particularly for start-ups in 21st century. Shukla,(2015) explained that fundamental reengineering is necessary for endurance in competitive market like India for the startups and established organizations in insurance and financial service sector as well. Shukla,(2017) in his study about the Pradhan Mantri Jeevan Jyoti Bima Yojana– Advocating Penetration in Indian Life Insurance Industry explored that for ensuring the financial protection of low income group households would encourage them to join any startup for the sake of employment and economic growth.

RESEARCH METHODOLOGY

- Research type- Descriptive and Exploratory
- Data Sources- Research papers, Publications of Ministry of commerce and finance), startupindia.gov.in, Books and newspapers.
- Analysis- Data is analyzed based on SWOT and Trend analysis as per available data.

CURRENT SCENARIO

India is one of the fastest growing economies in the world. However, there is an urgency to focus on the business environment which stems from the findings of the World Bank's Doing Business Report 2013 that places India in a not-so-favorable 134th position Among 185 countries. India is ranked lower than its BRICS counterparts and is relatively poor performer even amongst the South Asian countries with very low rankings on most of the determinants of investment attractiveness.

	Doing Business		Change in rank
	Rank 2013	Rank 2014	
Overall rank	131	134	-3
Starting a business	177	179	-2
Dealing with construction permits	183	182	1
Getting electricity	110	111	-1
Registering a property	91	92	-1
Getting credit	24	28	-4
Protecting investor	32	34	-2
Paying taxes	159	158	1
Trading across borders	129	132	-3
Enforcing contracts	186	186	0
Resolving insolvency	119	121	-2

Source: Doing Business 2014, World Bank

REQUIREMENTS OF THE BUSINESS

Following are the requirements of the startups in the immerging economy like India-

- To start a business
- Employing workers
- Dealing with construction
- Registering property
- Getting Credit and protecting investors
- Enforcing contracts and resolving insolvenc

STRENGTH

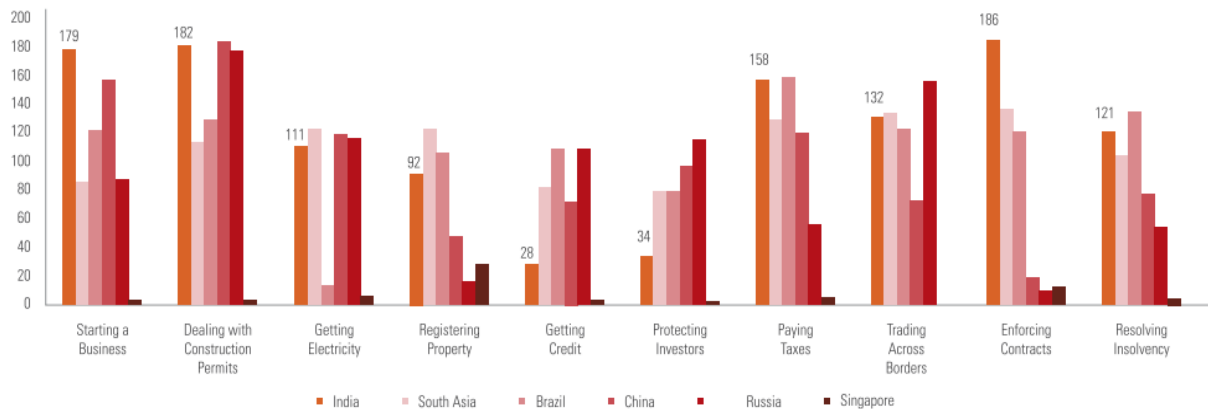
- Ease of getting credit, protection of investors, Cheaper labour resources and huge market potential are the major strengths that makes the environment more conducive for the startups in India.

- Computer-Aided Registration of Deeds (CARD) in Andhra Pradesh, e-Dhara Bhulekh, Gujarat, SIR ordinance (Special Investment Region), Gujarat

WEAKNESS

- Lengthy processes of taking approvals for starting a business, getting electricity, registering property and paying taxes are still major weaknesses of the system to be taken care of.
- Lack of an effective land acquisition process has made land acquisition complex & time consuming. Average time taken to acquire the land is 14 months and has taken, even longer in several occasions, Land mutation process is considered complex and time-consuming.

Rankings on sub-indices on the ease of doing business



Source: Doing Business 2014, World Bank

OPPORTUNITIES

Huge market potential, Cheaper resources, Availability of skilled labors, implantation of GST bill, Slowdown in China's economy.

- Costs involved (costs for engaging and retaining lawyers, miscellaneous costs, during the interim stage, enforcement costs) also pose significant obstacles.

THREATS

- Rehabilitation & Resettlement of Land Owners,.
- Taxation still a challenge – not conducive to fostering growth: Higher tax rates, delays in obtaining service tax refund are the main challenges.
- Costs incurred in the whole process is significantly high and Approvals related to environment clearances, land procurement, construction permits, industrial safety permits and power connection are top five obstacles in starting a business.
- Contract enforcement is complicated and time consuming: Time taken from filing to final judgment seems unreasonable to most of the respondents and poses major obstacles

RECOMMENDATIONS

Need for a flexible labour policy - Consider proposals for amendments in labour legislations, such as the Industrial Disputes Act, Contract Labour (Regulation & Abolition) Act, Trade Unions Act and Factories Act. Provide greater flexibility in the hiring-terminating policy, Code of conduct should be set for labour unions.

Skill Development - Revise curriculum and course content for industrial training. Integrate the education system with industry requirements so that fresh graduates can meet industry's expectations in terms of the required skills. Establish skill development centres (SDC) across states for short-term bridge courses under the PPP model

- Creation of independent grievance redressal mechanisms.
- Establishment of skill development centres in partnership with industry to develop enhance employability

- Promotion of industrial clusters for ease in land acquisition and business start-up
- Increased online processes for registrations and clearances
- Introduction of single window clearance systems with time bound decision making for business approvals
- Introduction of coordinated clearance systems e.g. for environmental clearances, to facilitate information exchange between various ministry departments, regulators and industry
- Increasing number of courts & tribunals as well as alternative dispute resolution to enhance the ease of contract Enforcement.
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CONCLUSION

May 2014 Underscore the areas of business regulation that need attention; highlight some effective and efficient processes prevalent in some states that could be emulated by others; and advocate for adoption of more efficient and effective practices. Skill development policy and implementation of uniform goods and service tax have made the environment more conducive for the startups .

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