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## Ranking of States on Support to Startup Ecosystems: DPIIT

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### Why in News

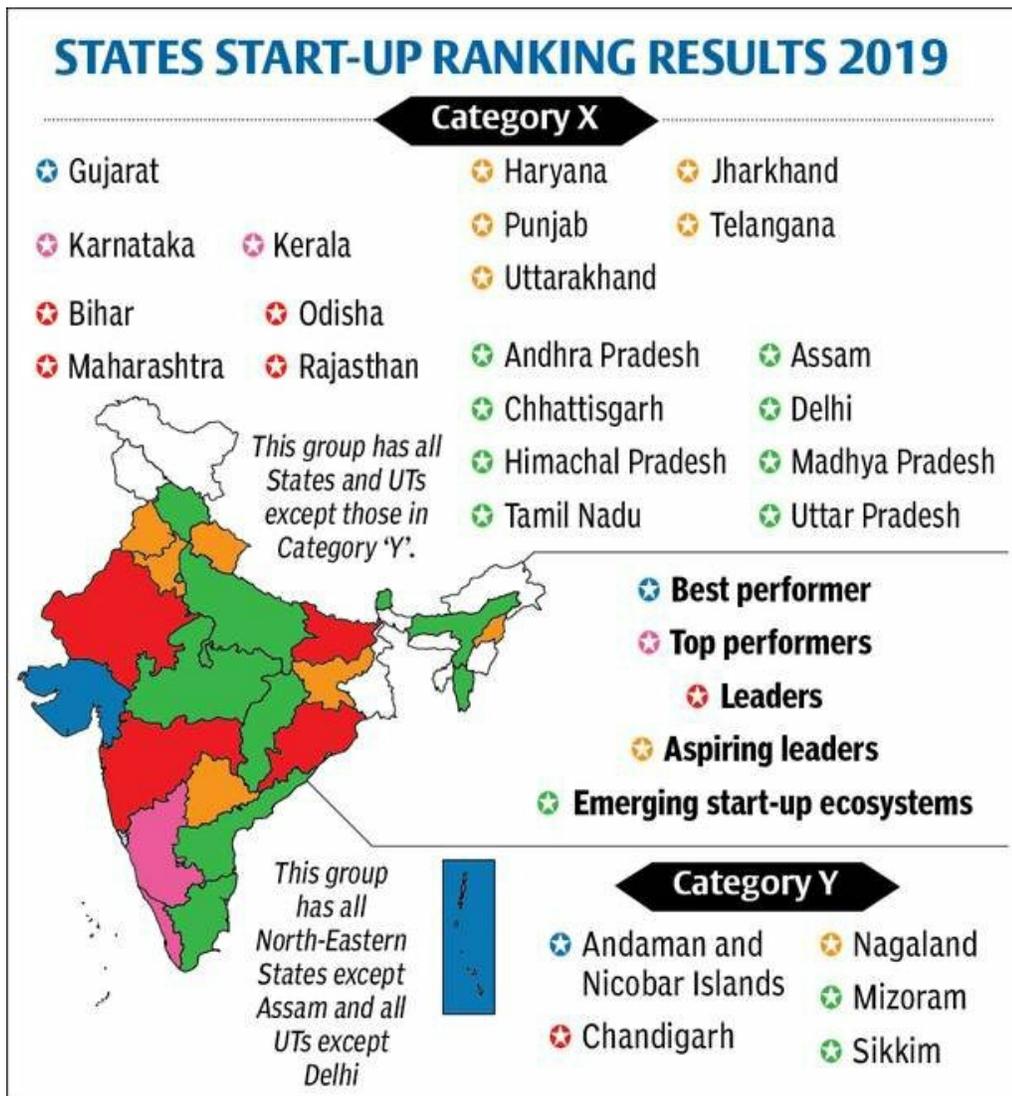
The Results of the 2<sup>nd</sup> edition of **Ranking of States on Support to Startup Ecosystems** were released by the **Department for Promotion of Industry and Internal Trade (Ministry of Commerce & Industry)**.

DPIIT has recently released the **Ease of Doing Business Rankings of the States-2019** based on the State Business Reform Action Plan.

### Key Points

- **Objectives:** The rankings were started with an objective of fostering **competitiveness, mutual learning** and propel States and Union Territories (UTs) to work proactively towards uplifting the startup ecosystem.
- **Framework:** The 2019 Ranking Framework has **seven broad reform areas consisting of 30 action points** ranging from institutional support, easing compliances, relaxation in public procurement norms, incubation support, seed funding support, venture funding support, and awareness and outreach.
- **Participation:** 22 States and 3 Union Territories.
- **2 Categories:** To establish uniformity and ensure standardization in the ranking process, States and UTs have been divided into two groups.
  - **Category Y: All UTs except Delhi and all States in North East India except Assam.**
  - **Category X: All other States and UT of Delhi.**

- **Results:** The States and UTs were classified as: Best Performers, Top Performers, Leaders, Aspiring Leaders and Emerging Startup Ecosystems.
  - **Gujarat** was the Best performer in **Category X** followed by Karnata and Kerala. Uttar Pradesh and Tamil Nadu occupied the lowest positions.
  - **Andaman and Nicobar Islands** was the Best performer in **Category Y**. Sikkim secured the bottom place.
  - Gujarat had secured the Best Performer position previous year as well.



## Startup Landscape in India

INDIA IS THE  
**3<sup>rd</sup> LARGEST**  
startup ecosystem  
in the world

 **28,000+**  
STARTUPS RECOGNISED  
by Department for Promotion of  
Internal Trade and Industry (DPIIT)

 INDIA IS  
HOME TO 32  
UNICORNS

(Startups with  
valuation \$1 Bn+) with  
a combined valuation  
of \$100+ Billion

 The current median age  
of founder entrepreneurs  
lies at only  
**31 YEARS**



**36 REGULATIONS**  
have been simplified for  
the startup ecosystem  
in India!

 **29 STATES AND UTs  
NOW HAVE A STATE  
STARTUP POLICY**  
*The federal as well as state  
governments are increasingly  
recognising startups as important  
engines for economic growth*



**ON AN AVERAGE 12  
JOBS CREATED PER  
STARTUP TOTALING  
UP TO 3,50,000+  
JOBS**

*The boom in women  
entrepreneurship is  
apparent in the growth  
story of women led  
startups -*

**MORE THAN  
43% OF THE  
TOTAL STARTUPS IN  
INDIA HAVE ONE OR MORE  
WOMEN DIRECTORS**

*The startup  
ecosystem, in driving  
India's growth story,  
tangibly adds to job  
creation in the nation*

 The entire startup  
ecosystem raised  
**\$50 BILLION  
FUNDING<sup>2</sup>**  
between 2014-2019



LEADING SECTORS THAT PERVADE THE INDIAN STARTUP LANDSCAPE ARE<sup>3</sup>

**\$5.7 BN**  
FINTECH

**\$3 BN**  
ENTERPRISES

**\$1.4 BN**  
HEALTH-TECH

**\$11.7 BN**  
E-COMMERCE

**\$1.2 BN**  
LOGISTICS

*(While sector diversity visibly  
permeates Indian led businesses)*

## Government Initiatives:

- **Start Up India Fund:** Under the Startup India program, the Government created the 'Fund of Funds for Startups (FFS) with a corpus of INR 10,000 crore.
- **Policy Reforms for Startups:** These include requirement of distributable profits for three years for a company to be eligible to issue shares with differential voting rights.
- **Start-up Cells:** The Cell will work towards redressal of grievances & tax-related issues of Startups with respect to the administration of the Income-tax Act, 1961.
- **National Startup Advisory Council:** To advise the Centre on measures needed to build a strong ecosystem for nurturing innovation and start-ups in the country.
- **Aatmanirbhar Bharat ARISE-Atal New India Challenge:** It is a national initiative to promote research & innovation and increase competitiveness of Indian startups and Micro, Small and Medium Enterprises (MSMEs).
- **AIM-iCREST:** It is an Incubator Capabilities Enhancement program launched by **NITI Aayog** for a Robust Ecosystem focused on creating high performing Startups.
- More than **1300 Startups** have been supported by **seed funding** from State Governments. In addition to seed funding, 10 States have created **Venture Funds** or a Fund of funds and 218 startups have been provided with venture funding support.
  - **Seed funding :** It is the initial capital used when starting a business.
  - **Venture Funds:** This generally comes after the seed funding round. It is a means of equity financing for rapidly-growing private companies for expansion or purchase of a company. It is provided by venture capitalists after carefully scrutinizing the projects.

## Way Forward

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- The initiative will help in **capacity-building of States** and building a robust Start-up ecosystem in the country for **nurturing innovation and providing opportunities to budding entrepreneurs**, as envisaged by the **Start-up India Initiative** launched in 2016. This is necessary for the country to realize the dream of becoming a 5 trillion dollar economy by 2024.
- There is a need to ease the access to funding to Start-ups, especially those from small cities and the need for simplification of regulations. The central and state governments would have to invest heavily in Research & Development and upcoming technologies, to build further on their competitive value addition to this exercise.

**Source: PIB**