

TAX ON DIGITAL GOODS IN INDIA AS A PART OF AN ENTREPRENEURIAL START-UP

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Abstract

India has analyzed 26,000 startups, making it the third largest startup ecosystem in the country. Over the past three years, the world saw a consolidated inflow of more than \$36 billion with 26 "unicorns." – startups valued at over \$1 billion. India's startup ecosystem has expanded quite rapidly, primarily through private investment, including seed, angel, venture capital, and private equity, with technical support from incubators, accelerators, and the government. The government is creating an enabling environment through its flagship Startup India an initiative that came into effect in 2016. With India pushing knowledge and a digital economy, the government is trying to implement ICT infrastructure and ensure policy by promoting better e-governance, investment, and technological innovation research and higher education to support entrepreneurship and accelerate economic growth. Data indicate that the expansion of the startup ecosystem has been mainly concentrated in large (Tier 1) cities and states with financial depth, especially in the IT sectors, including e-commerce, transport, and finance. Small businesses outside the metro are not fully aware of these programs that provide or are integrated into various government incentives for startup tax credits. Due to the progress made so far,

Indian businesses face enormous challenges such as an unorganized and fragmented market in most industries, a lack of clear and transparent policy initiatives that startups can quickly intervene in, as well as a lack of infrastructure, lack of knowledge and exposure and complications in business. Creating more and more aware of government initiatives and incentives, disbursement of loans to priority sectors, promoting the reach and benefits of the network for Tier 2 and Tier 3 cities, and facilitating funding and tax breaks for foreign and domestic investors could improve opportunities for startups in India.

Keywords: startups, India, digital economy, small business, entrepreneurship, finance tools, venture capital, government policy, and regulation.

INTRODUCTION

From ancient, India has been known for its ICT prowess and, more recently, for its capability to speed economic development through digital transformation and innovation. Along with this, the recent rapid economic growth has also become one of the most prominent startup ecosystems in the world. The Indian startup ecosystem has constantly been evolving in the past few years through a growing number of angels, venture capital funds, incubators, and accelerators, and also support government initiatives like Digital India, Startup India, and Smart Cities will expand startup and investment activities across cities and new sectors. This growth in seed investment and the number of unicorns is coming due to rapidly growing purchasing power, mobile internet usage, access to new consumer markets, social media adoption, technological innovation, and favorite consumer demographics.

The current wave of startups began around 2003 when Silicon Valley Bank launched its first office in Bengaluru. Since then, investment in startups has skyrocketed increased. In 2015, India had 10,000 startups, almost the same as in 2015 People's Republic of China (PRC) (Grant Thornton, ASSOCHAM India 2016). It should have eight "unicorns"—startups valued at \$1 billion or more—across the e-commerce marketplace, transport, mobility, logistics and hyper-delivery, ad: tech, digital banking, finance, online aggregators, and analysts. In August 2019, startups in India raised \$1.4 billion in 50 deals, compared to just USD 182 million across 32 deals in the previous year (IVCA-EY 2019) - a sevenfold increase. IVCA-EY (2019) estimates that India has more than 50,000 startups, of which 3,500 are growing by 30% yearly, making it the third largest ecosystem in the world (behind the USA and PRC).

An inflection point for Indian startups The period 2014–15 is considered an inflection point for the Indian startup ecosystem, creating six "unicorns" in those two years. Since then, an Indian startup The ecosystem has constantly been evolving due to several fundamental factors, including:

- Demographic dividend: 700 million citizens are still under 25 years of age, growing Internet, smartphones, and financial penetration
- Market size: growing middle class with rising disposable income and social media acceptance, changing the consumer demographic that was before unavailable, with mobile and data tariffs among the lowest in the world
- The number of established startups and the increasing number of active domestic a foreign angels/venture capital backers

- Political will: improving the ease of doing business and promoting an innovative environment through the adoption of digital technologies and government initiatives like Startup India and Digital India and the creation of regular infrastructure
- Spillover effects from large, list (and unlist) technology companies: many angel investors and a growing group of experienced serial entrepreneurs
- Higher education: India has a vast number of engineering and technical graduates (although many need training before they can be employed)
- The emergence of startup centers: an agglomeration effect has been created in Tier 1 cities with larger clusters of startups, investors, and helping infrastructure
- Industry-academia-government linkages: growth in the number of universities and industry-led incubators and accelerators and government establishment patent cartridges

One of the significant shifts in making digital services available to the masses has been spurred by the upheaval in the telecom industry, primarily driven by new entrant Reliance Jio's data price war in 2016. This near-commoditization of the Internet gave Indians the cheapest data plan in the world and opened up a whole new user base. The value of private investment has also increased in the last few years, and the number of venture capital funds, both from India and globally. It has an exciting trend coming from the East and west, including Japan's SoftBank Group, which had invested over \$9 billion by the end of 2018, followed by investment holding company Tencent in the PRC, and Singaporean sovereign wealth funds GIC and Temasek. With a Chinese startup, the market becomes crowded and overheated, and more developed markets such as Japan and the Republic of Korea are slowly building their startup ecosystems. India has become an attractive destination among emerging markets (Table 1)

Company	Investors	Amount (US\$M)
Udaan	Tencent, GGV Capital, Altimeter Capital, Hillhouse Capital, DST Global, Lightspeed Ventures, Others	585
Delhivery	SoftBank Corp, Carlyle, Fosun Group	413
FirstCry	SoftBank Corp	400
Ola Electric Mobility	SoftBank Corp	250
Grofers	SoftBank Corp, Tiger Global, Sequoia Capital India, KTB Ventures	220

*As of December 24, 2019, VC is defined as Seed to Series F investments in companies under ten years old (from Registration).

Note: PE investments are not included in this list. Source: Venture Intelligence.

Even as the startup ecosystem grew, there were very few exits, mergers, and acquisitions. That changed in 2019 when Walmart acquired a 78% stake in the Indian e-commerce giant Flipkart for \$16 billion in the world's largest e-commerce merger and acquisition. The deal backfired on the scale, and the momentum of startups in India has grown. Despite rapid expansion and vibrancy, India's startup ecosystem is far from mature. Indian entrepreneurs have not long focused on solving local problems or working with leading technology. This reluctance can be partly to the scarcity of boldface venture financing, given the lack of investors with deep

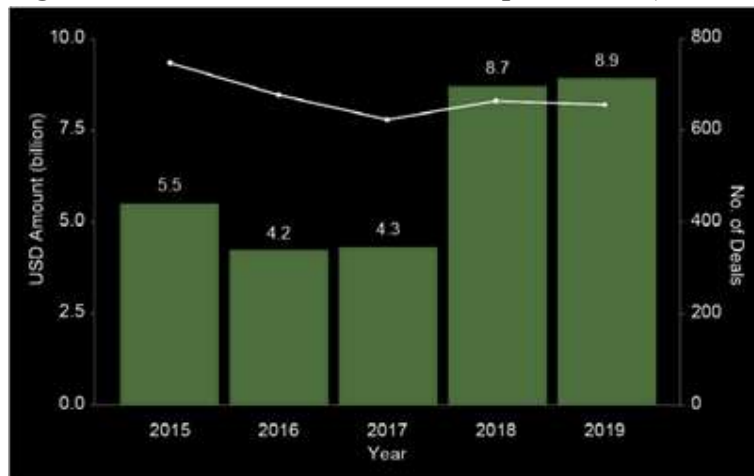
pockets, determination, and patience. Furthermore, changes in consumer behavior, low prices, long pregnancy periods, and cash burn were mainly given the diversity of stakeholders in democratic and decentralized structures, which did not allow the introduction of reforms at the same speed as in the PRC (Sharma & TN, 2018).

2. OPPORTUNITY AND FUNDING IN INDIA OPPORTUNITIES

2.1 Latest trends in investing in Indian startups and data availability

Between 2011 and 2015, investment values increased by a compound annual growth rate (CAGR) greater than 75%, and several deals at CAGR more significant than 80%. Since, Venture capital investment rose rapidly, peaking in the year, according to various estimates in 2019 (Figure 1).

Figure 1: VC* Investments into Startups in India (2015–2022)



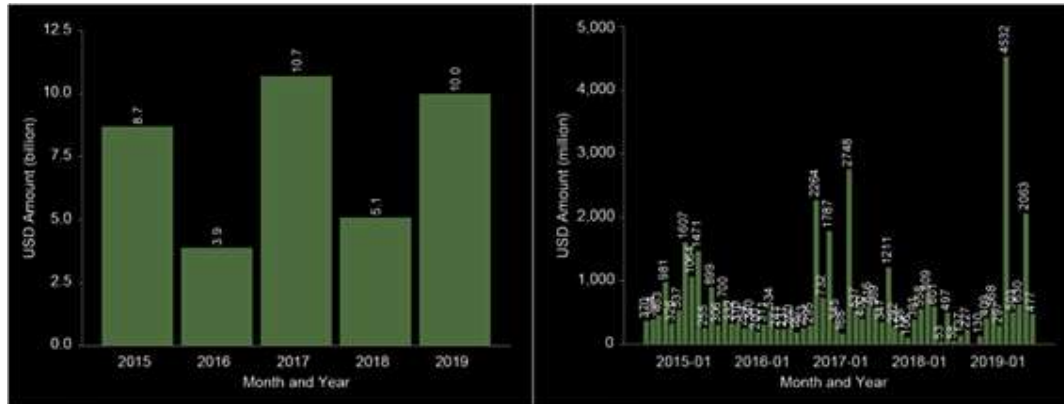
*VC is defined as Seed to Series F investments in companies less than ten years old.

Source: Rendered by authors based on data from Venture Intelligence | As of June 20, 2022

The challenge of getting startup funding data is that it is primarily private, an area where companies charge a subscription fee to access investment data and corporate finance (e.g., Venture Intelligence, Tracxn, etc.). For this paper, we have used two primary sources to track seed funding:

1. Proprietary data from Venture Intelligence (VI): private firms founded in 2002 and considered a leading source of information and analysis about personal company finance, transactions (private equity, venture capital, and M&A), and their awards in India. VI provided only anonymized data on investments in startups and general trends without any detailed/company-level data, as it would be charged a fee.
2. Open source data downloaded from Trak. In: business news and opinion site, which also tracks investment in startups, but with open access data from public sources. This data was helpful because it follows detailed information but lacks clear definitions and classifications. It required data cleaning, but it was helpful in our empirical analysis where, for example, we needed a granular level of social investment data in different states. The charts below rough show the difference and details in the data regarding the value of investments in startups, which can be compared with the earlier graph from VI (Figure 2).

Figure 2: Yearly and Monthly Investment data into Startups in India from trak.in.com, 2015–2022



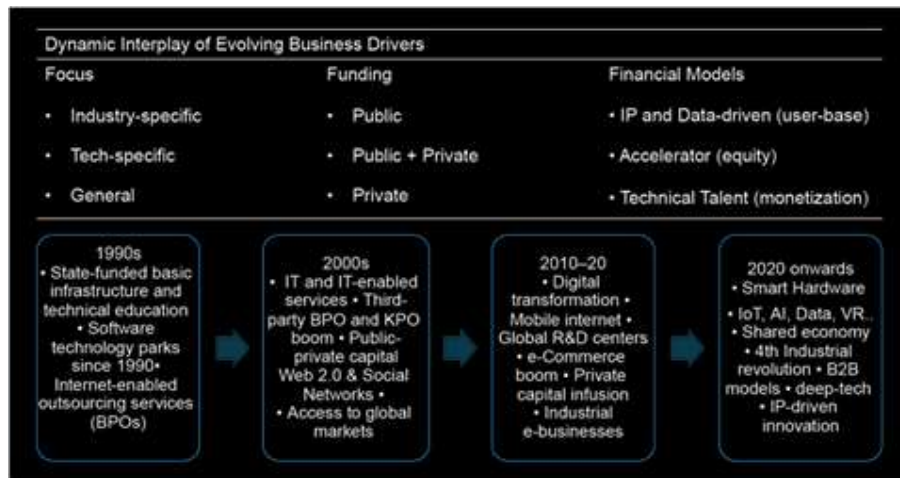
2.2 Why India can be a hub and testing ground for innovation and Startups

By leveraging its strengths in human capital and ICT services and transitioning to a digital and knowledge economy, India is fast becoming a breeding ground for innovation and startups. Knowledge economies use ICT, innovation and research, and higher education and specialized skills for creating, disseminating, and applying knowledge growth. According to the four indicators of the World Bank Knowledge Economy Index, In 2012, India was ranked 109 out of 145 countries covered; however, this study did not update. India moved up five places globally from 2018 to 2022 Innovation Index (GII) from 57th to 52nd among 129 countries across 80 indicators from intellectual property and mobile app login rates creation to spending on education, scientific and technical publications, as well as many other criteria.

This is promising, but shall also exists in areas such as low-cost development technology for price-sensitive customers, popularly known as "frugal innovation." Such low-ticket, low-tech solutions need to be implemented at scale to be addressed disadvantaged and underserved populations. Such rapid technological progress provides startups in countries like India – unencumbered by older, legacy technologies – with the ability to skip and use mobile to support digital and mobile data transformation. Payments, banking, and related services are also moving fast towards the mobile. FinTech has been one of the best-funded sectors in the US over the past two years (Rajan 2019).

Despite moving up 14 places in a year to rank 63 out of 190 countries in the competition In the Ease of Doing Business 2020 rankings, India still lags in areas such as enforcement contracts (163rd place) and property registration (154th place) (World Bank Group 2020). However, it is encouraging to know that the latest reforms are in starting a business, processing building permits, cross-border trading, and insolvency resolution, among others. A shift towards a knowledge-based economic growth model is essential for India to reinvent comparative advantages as labor- and capital-intensive production disappears. WITH the fourth industrial revolution (Industry 4.0) underway, future trends represent an ample opportunity for startups to disrupt and innovate using technologies such as blockchain, the Internet of Things (IoT), artificial intelligence (AI), and machine learning (ML), among others. With the right background and environment, startups can play a significant role here, especially in the culture of research and innovation, intellectual property rights, and flexible capital and labor markets (Fig. 3).

Figure 3: Evolution of Innovation Ecosystems in India



2.3 Definition of startups for India

Although there is no precise definition, the accepted characteristics of a "startup" include its scope, age, scope of operations, and method of financing. It is mainly defined as a young company, several years old, and still creates a steady income stream. These firms have small-scale operations, usually with a working prototype or paid pilot, with the potential to grow and scale quickly. They are initially funded by the founders' private network of friends and family and actively seek additional funds to support themselves to become a viable business. For example, the GoI's Startup India program defines a "startup" as a company (PIB 2017), i.e.:

1. Established in India with not more than ten years of incorporation or Registration
 2. An annual turnover of less than INR 1 billion (roughly USD 14 million) (Startup India 2019).
- After a review in 2019, Startup India has updated its list of benefits (Startup India 2019) to include exemption from income tax on capital gains and investments beyond the fair market value, options for self-certification of various compliances, fast patent tracking application at a discounted rate, the ability to sell to the government, and the ability liquidate the failed company within 90 days. Registration with Startup India provides angel tax exemption, access to knowledge banks, partner services, online courses, and innovation challenges. The program recognized almost 27,000 startups (Startup India 2019). In 2019, DPIIT worked with representatives of the startup ecosystem to remove problems stemming from what has been labeled the controversial "angel tax" (levied at 30% when a private company raises funds at a higher rate than its fair valuation) – anti-money laundering provisions from 2012 that were allegedly abused. The law was initially introduced to discourage high net worth individuals (HNWIs) from investing in fake startups (or shell companies) to launder money. The angel tax has been criticized for stifling startups that have received equity funding from unregistered foreign investors.

2.4 Different Types of Startup Funding in India from early to late stage

Startup funding in India has followed the Anglo-Saxon model, which encourages entrepreneurial activity through private and ventures capital funding as they are considered too risky by banking institutions. Venture capital (VC) and private equity (PE) is not regulated like in Europe. Funding options range from friends and family to the very early stage, seed/angel investors, and VC and PE money. Once the company is well established, it can take on debt

from banks without foreclosure funds and investment banks ready to absorb late-stage investments and towards an initial public offering (IPO) listing (Table 2).

Funding Type (Avg US\$ Value in India)	Startup Stage	Investor Type and Nature of Funds Raised
Angel funding (10K- 1M)	Early/idea stage: seek funds for developing prototype of product/service	Individual/angel investors who provide mentorship to founders and early access to markets
Seed Funding (10K- 1M)	Early/idea stage: test and develop the idea and require R&D funding (e.g., for patents)	Individual investors and VCs focused on seed funding to further support startup until it generates revenue
Pre-Series A (10K- 1M)	Early stage: with some market traction looking for individual-bridge round	Bridge between individual and institutional investors focused on smaller cheques
Series A (1M- 5M)	Early stage: demonstrated traction ready to expand operations and uses funds for capex, working capital, expansion	First round of institutional investors with existing individual investors and may include corporate venture arm of large corporations
Series B (3M upwards)	Early stage: established with demonstrated traction and needs to scale after demonstrating product market fit	Second round led by institutional investors, can include existing individual investors, and venture capital funds
Series C, D (6M upwards)	Growth stage: established and successfully running at scale and poised to expand using funds for capex, organic, or acquisition growth	Institutional investors including large/late stage VCs, PEs, hedge funds, and banks come in, buy out early investors, often with handsome returns
Series E, F, and beyond (15M upwards)	Growth stage: well established and successfully running at scale and maybe poised for IPO	Institutional investors including large/late stage VCs, PEs, hedge funds, and banks fund further expansion or increase valuation before IPO

Practices used elsewhere in the world have not been tried or are not applicable in India. For example, equity crowdfunding was a good option for startups in Japan and the US. Pre-order crowdfunding allows customers to order products, and startups promote their effects on the Internet and raise funds for their operations. This is legal in India, although not widely used. Another way is to collect a small amount from people, as little as \$10-\$50 per share in a so-called "hometown" company.

Investment trust' (HIT) fund to help riskier borrowers such as startups obtain seed funding (Yoshino & Taghizadeh-Hesary, 2014). However, this method, known as "equity crowdfunding," was considered illegal in India by the Indian financial regulator and the Securities and Exchange Board of India (SEBI) (2020). Similarly, many Asian countries have moneylenders who finance small and medium-sized businesses and startups. These lenders can be moneylenders who are not regulated and tend to charge high-interest rates. While India's SME sector reckons with a moneylender, seed/angel investors, and HNI, some venture capital companies dominate early-stage financing of startups and a growing list of FinTech and non-banking financial companies (NBFCs). In addition to Seed, VC, and PE funding, accelerators have also helped the startup ecosystem grow. A big trend in the last 3-5 years has been various acceleration programs – a type of accelerator sponsored by a for-profit company pilot projects, or joint launches options, while they charge a flat fee or get a 6%–8% stake in the startups. They help Acceleration and incubation programs include the following formats:

- Business acceleration programs of multinational companies (MNCs) such as Google and Microsoft, Indian groups like Reliance, etc.
- Public-Private Partnerships (PPP) such as T-Hub, T-Labs, Startup Village, etc.
- Department of Science and Technology (DST) approved technology. Business incubators (TBIs), often at universities
- College/university incubators in leading national institutions, e.g., like IIMs and IITs
- Industry-led incubator/accelerator programs such as NASSCOM 20,000 Startups
- Private accelerator programs led by VCs such as Axilor Ventures, Sequoia Capital's Surge, and others
- Government-sponsored schemes like iStart Rajasthan and Kerala Launch mission

2.5 Government support through Startup India and other initiatives

In 2012, India's market regulator SEBI introduced new standards for angel investors to be registered as alternative investment funds as a new class of real estate pooled investment vehicles, private equity (PE), and hedge funds. To prevent abuse of regulation through money laundering, SEBI has restricted the investments of these funds to INR 5–50 crores and only in companies registered in India which are not older than three years and have no family connection. By 2019, INR 17 billion has been invested in 254 startups through SEBI.

AIF and SIDBI committed an additional INR 31 billion to 47 registered AIFs since July 2019 with SEBI (FE Online, 2020).

Table 3: Indian Government Initiatives to Create a Conducive Ecosystem for Emerging Businesses and Startups

Timeline	Government Program	Aims and Target
2009	Invest India	Creation of an investment promotion and facilitation agency
2009	India Stack and UID	Digital push for cashless, paperless, consent-based, scalable architecture to support Aadhaar – Universal Identification project
2013	SEBI's Alternative Investment Fund Regulations	New norms for angel investors, who provide funding to companies in their initial stages
2014	Make in India	Flagship initiative of the Government of India (GoI) aimed at making the country a "global design and manufacturing" destination
2015	Digital India	Flagship program of the GoI aimed at expanding e-governance to promote inclusive growth and transform India into a "digitally empowered society and knowledge economy"
2015	Skill India initiative	Vocational training and certification program aimed at giving 40 million youth the opportunity for a better livelihood by 2022
2016	Startup India initiative	Flagship initiative of the GoI to catalyze the startup culture and build an ecosystem for innovation and entrepreneurship
2016	Startup India Online Portal	357,171 registered startups, 26,374 recognized startups, 221 tax exemptions, and 264 were funded by SIDBI-FFS (as of 31 December 2019)
2016	Atal Incubation Centres (AICs) under Atal Innovation Mission (AIM)	31 AICs have been funded with INR 1.4 billion (approximately \$20.39 million) and NR 575.8 million (\$8.12 million) disbursed
2016	SIDBI "Fund of Funds for Startups (FFS)"	INR 100 billion corpus (approximately \$14 billion) contributing to the Alternative Investment Funds (AIFs) for investing in startups
2016	Bharat Interface for Money (BHIM) and United Payment Interface	Mobile payment app developed by the National Payments Corporation of the United Payments Interface to allow seamless and verified payments
2019	Technology Incubation and Development of	City-sponsored program to promote socially relevant tech entrepreneurs through incubators engaged in supporting

When the Startup program of India was launched in January 2016, it was also announced by GoI. Fund of Funds for Startups (FFS) at Bank of India for Small Industries Development

(SIDBI) with a corpus of INR 100 billion to be allocated to alternative investment funds (AIF). In the four years since then, this FFS has consistently fallen short of its targeted allocations, both in terms of direct investments in startups (only INR 6.02 billion in 142 startups) and in its AIF allocation (INR 226.5 million against the targeted INR 33 billion) (sen 2019).

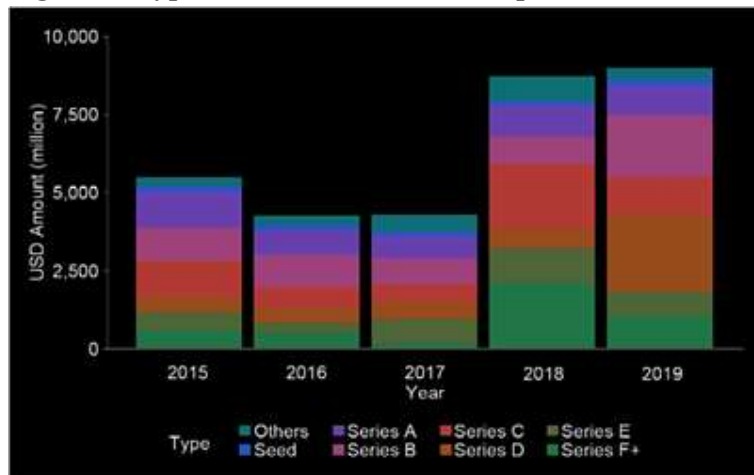
The government has also created various other initiatives that are tied to supporting startups and entrepreneurship (Table 3). This is shown, for example, by looking at the connection between industry-academia-government in patents. India is emerging as a patent hub, especially with recent government initiatives such as The Startup Hub at the Ministry of Electronics and Information Technology (MeitY), which helping boost 51 incubation hubs through fast-track patent approval with India is known to have far fewer international patents filed against other countries, such as Republic of Korea and Japan

3. PE/VC INVESTMENT TRENDS IN STARTUPS

3.1 From inception to VC activity in India in terms of numbers, trade, and investment

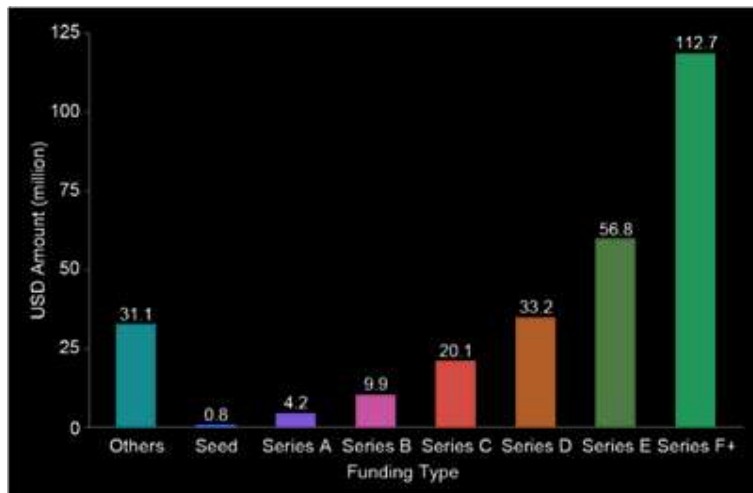
Early-stage investment declined between 2015 and 2017 and has been recovering since then (Figure 4). From 2015 to 2017, Series A to C financing dominated investment, according to Venture Intelligence data, while 2018 was in its late stages funding (series D+) peak. Industry experts attribute this reluctance to the early stage, emboldened by the lack of exits for angel investors and cumbersome regulatory policies, especially around taxes. The record of angel investors in the series has not been outstanding in India because doors are only viable for established startups with a growing and paying customer base, which usually happens later.

Figure 4: Types of Investment in Startups in India, 2017-2021 YTD



Not surprisingly, later-stage deals are fewer and yet more significant in terms of value investors are willing to put in more capital once a startup reaches some commercial success and requires more resources for expansion and expansion. Size investment per deal for YTD 2021 suggests that Series F and others (average: \$128 million, followed by Series D (\$53 million) and Series E (\$52 million). Early stage deals were naturally much smaller: seed funding averaged \$1.12 million per deal, while Series A averaged \$5.12 million (Figure 5), but despite that, Series B and funding cumulatively increased in the last two years. VCs remain bullish on Indian startups despite more significant macroeconomic developments slowing down. These investors take a long-term view of up to Seven years of consumption-led growth during this period. Several notable exits also created more liquidity for them to reinvest in the ecosystem.

Figure 5: Average deal size by funding round in Indian startups, 2015-2021 YTD

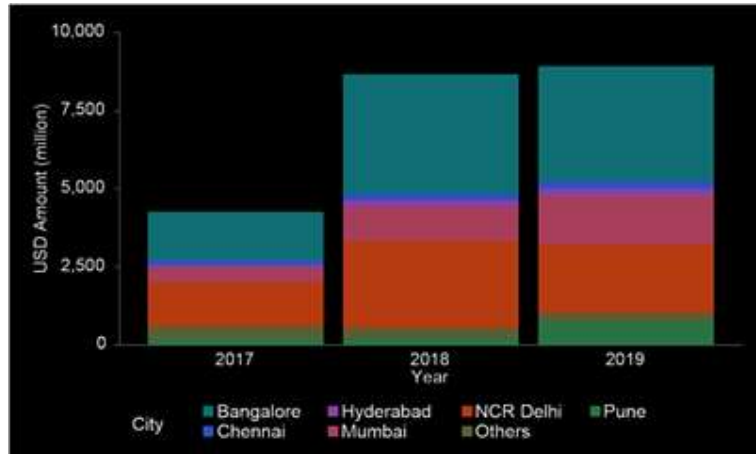


With an estimated 50,000 tech-based startups, they are global VC and PE firms with significant investments in India to find the next "unicorn." 2021 saw most of them an influx of venture capital not only from the US and domestic investors but also from Chinese investors who are betting more on Indian startups. As of 2018, Chinese venture capital investments have been the most significant trend in India's startup funding story as they catch up with their American counterparts. Tracxn (KrAsia Writers, 2021) reported that in 2020, Chinese VC invested \$5.6 billion in India, more than what came from the US and Japan.

3.2 Geographical distribution of investments and activities

India's startup ecosystem remains concentrated in three major regions, Bengaluru, Delhi-NCR (National Capital Region), and Mumbai, which together accounted for 87% of the total investment value and 84% of the total investment volume in 2015. This ratio has not changed much since then, and even in the first half of 2019, these three regions were counted together; about 85% of all financial deals are in Indian startups. Bengaluru stands out in particular as India's Silicon Valley, thanks to its legacy as an IT hub that raised \$16.2 billion in financing in 1,244 deals between 2014 and September 2018 (Rajan, 2019). This concentration of startups in these three cities is highly skewed because they host the top TierTier universities and, since the 1990s, also served as IT and financial centers that attract a growing list of PE and VC firms. After these three Tier 1 metros, the most prominent startup clusters are in other TierTier 1 cities, Chennai, Hyderabad, and Pune. However, these cities lag behind the leaders significantly in terms of value and investment. These six cities received almost all venture capital financing in 2019 (Figure 6). While startup ecosystems are well established in TierTier, In one city, they are still being born in smaller towns. Only 20% of India's 50,000 startups are based in tier 2 and Tier 3 cities and only got a small ratio of the total financing. Five thousand eight hundred startups in Tier 2 towns collectively raised just \$1.3 billion in total funding between 2004 and Q1 2021 (NASSCOM and Zinnov 2021).

Figure 6: VC investment* in Indian startups by city, 2017-2021 YTD



Another recent trend is the boom of social media based on regional language content sharing due to increasing smartphone ownership and internet penetration, cheaper data plans, online payment integration, and better Tier-level network connectivity in cities two and tier 3. In 2009 there were only 54 million Internet users, but this spread tenfold to 530 million in 2018 (Kantar IMRB 2021), with a larger rural population of Indian language users online with an annual purchasing power of \$300 billion (Jha, 2021). Next, the telecom war that ensued after a new entrant, Reliance Jio, entered the market in 2016 provided Indians with the cheapest data plans in the world at less than \$0.10 per GB, which almost commoditized the internet and opened up a whole new user base. The Unified Payments Interface (UPI), a government-backed digital payment mechanism, has proven essential for the widespread adoption of online and mobile payments. But for the government to make India a trillion-dollar digital economy in the next few years, access to technology needs to be democratized and have a positive socio-economic impact. This includes support for more advanced technologies such as AI, deep technology, and machine learning and the development of scalable business models that benefit the larger population, such as education, mobility, health and fitness, and agriculture.

3.3 Unicorns and potential disruptors

2019 was the year of unicorns for India's startup ecosystem, joined by eight more clubs (table 4). India may have the third largest startup market by value, but it only has a paltry 26 unicorns compared to over 200+ unicorns in the US and the PRC. Fosun RZ Capital's projections (Outlook, 2019) suggest that India will likely have 54 tech unicorns by 2024. What started ten years ago as a testing ground for US-based VCs firms like Tiger Global and Sequoia Capital looking for the next big one, India has become one of the most promising USA and PRC destinations for investors from the PRC, the Republic of Korea, Japan, and the UAE.

Table 4: India's Unicorn Club: Current \$1 Billion+ Private Companies

Table 4: India's Unicorn Club: Current Private Companies Valued at \$1 billion+

Startup	Valuation (in US\$)	Year of Valuation	Industry and Vertical	Key Investors
*MuSigma	\$1.5 billion	2013	Analytics	Accel Partners, Sequoia Capital India, General Atlantic
InMobi	\$1 billion	2014	Mobile and telecommunications (ad-tech)	Kleiner Perkins Caufield and Byers, SoftBank Corp., Sherepa Ventures
Snapdeal ?	\$7 billion	2014	E-commerce and direct-to-consumer	SoftBank Group, Blackrock, Alibaba Group
Ola Cabs	\$6.32 billion	2014	Auto and transportation	Accel Partners, SoftBank Group, Sequoia Capital
Zomato	\$2.18 billion	2015	Internet software and services	Sequoia Capital, VY Capital
One97 Communications (Paytm)	\$16 billion	2015	FinTech	Intel Capital, Sapphire Ventures, Alibaba Group
*Quikr ?	\$1.6 billion	2015	Online classifieds	Matrix Partners, Omidyar Network India, Norwest, Kinnevik
Hike	\$1.40 billion	2016	Mobile and telecommunications	Foxconn, Tiger Global management, Tencent
*Shopclues ?	\$1.1 billion	2016	E-commerce	Nexus Ventures, Helion Ventures, Beenos, Tiger Global, Kalaari Capital
ReNew Power	\$2 billion	2017	Other	Goldman Sachs, JERA, Asian Development Bank
BYJU'S	\$5.75 billion	2017	Edtech	Tencent Holdings, Lightspeed India Partners, Sequoia Capital India
Udaan	\$2.30 billion	2018	Supply chain, logistics, and delivery	DST Global, Lightspeed Venture Partners, Microsoft ScaleUp
Swiggy	\$3.30 billion	2018	Supply chain, logistics, and delivery	Accel India, SAIF Partners, Norwest Venture Partners
PolicyBazaar	\$1.50 billion	2018	FinTech	Info Edge, SoftBank Capital
OYO	\$10 billion	2018	Travel	SoftBank Group, Sequoia Capital India, LightSpeed India Partners

CONCLUSION: THE ROLE OF THE GOVERNMENT IN ADDITIONAL STARTUP PRINCIPLES

Empirically, we have seen in this study that the competitiveness of states has increased, responsible for increased investment in startups in these states. That suggests that as states invest more in research and development, facilitate patent applications, and develop links with universities and industry by expanding the incubator/accelerator ecosystem, they benefit from better funding and access to technology and expertise. The government will now have to focus on nurturing top tech talent and global business skills through 'reverse brain drain' and making India a startup-friendly country. India can learn from Israel and countries that invest heavily in R&D and strengthen connections to startups, businesses, academia, and government. India is above its weight in global innovation, and much more can be done by developing human capital and investment in higher education and introducing an intellectual property strategy in innovation. Startups in India will also require support from entrepreneurs and innovators who are often only interested in and limited by the production of their products and services. They lack the expertise and capacity for better accounting, marketing, and sales.

Empirical results show that improving subnational financial depth appears positive and significantly related to higher startup investments, i.e., increased loans from banks and NBFCs. Getting more startups to qualify for government schemes is essential. The government will also have to make arrangements or provide relief for startups when implementing macroeconomic policies in the spirit of demonetization and implementation of GST and special regulations

such as "angel tax" and benefits Insolvency and Insolvency Code. The government is already creating awareness about its schemes through aid programs, but it must expand further innovation outside tier 1 cities.

The current technology and venture capital system tend to focus on quantity quality, on "unicorns" that disrupt and scale consumption. Too much to focus on quick exits over sustainable growth and prioritize shareholder profit over shared prosperity, requiring alternative financing models such as cooperatives and so-called "zebra" startups - companies that solve social problems but are profitable. That will require more incubation support for startups to expand beyond crowding industry verticals such as e-commerce, FinTech, ed-tech, and mobility to the "third sector such as non-profit organizations and social enterprises in industries such as media, education, healthcare, governance, sanitation, and alternative/clean energy. More open data related to big data analytics startups, like factor analysis and cluster analysis, can help identify successful characteristics of startups vs. The potential failure of startups and other challenges. Japan, for example, collected Twenty years of SME data through which CRD (Credit Risk Database) has analyzed the characteristics of small and medium enterprises. A similar database could be created to promote India's funding for startups. While Chinese startups have enjoyed protection and have barriers to entry for well-funded and foreign competition, Indian startups do not have that luxury. They, therefore, do not produce domestic global game changers (e.g., Amazon in the US and Alibaba in the PRC) without being acquired. But many of these ambitious startups do not have a vision or know-how for global expansion requiring policies to support their internationalization. Singapore established International Enterprise, a government agency created to help these companies build a global presence. Indian startups need to go beyond simply copying successful global ideas to the domestic context and develop meta-level startups that solve fundamental problems that can be scaled globally.

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