

U.S.-INDIA INSIGHT

Vol. 1, Issue 9

December 14, 2011

Entrepreneurship in India: The Next Wave

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When thinking about entrepreneurship in India, it is hard not to focus on names like Tata, Ambani, Premji, and Murthy. These pioneers of Indian industry have not only globalized Indian business firms, but they have also helped to pave the way for a new generation of entrepreneurs. Their examples, along with a very deliberate effort by new networks of professionals, are slowly but surely leading to a growing number of start-ups across a range of industries.

Entrepreneurship is vital to a vibrant, growth-oriented economy, and this is no less true in India, where the economy has grown sharply since the reforms of the early 1990s. India has two distinct advantages in terms of creating new entrepreneurs and start-ups at this particular time: it is facing a surge in its working-age population, when the rest of the world is confronting an aging citizenry; and it is able to leapfrog entire decades because of technology.

India's high rate of economic growth (averaging over 7 percent annually) can only be sustained if approximately 1 million jobs are created per month. If India can, in the next decade, provide its next generation with the education and training for entrepreneurial ventures, it will not only create the jobs necessary to stay on a growth trajectory, it will foster more start-ups, accelerate growth, and spawn creative industries for the benefit of millions, including for many residing outside India.

The Good News

It is hard to overstate the importance of demographics to India's economic growth. Two-thirds of India's population is under 35—at about 700 million people, that is almost twice the size of the entire U.S. population. India is currently undergoing a “demographic transition”—when high fertility and mortality rates decrease. This translates into a larger working-age population and a smaller dependent population, which should indicate higher rates of income, savings, and spending. This might also translate into workers having more freedom to choose their careers, rather than be forced to work because of family circumstances, caste affiliation, or lack of a social safety net.

The most significant good news is that over the past decade, there has been a spike in college-level students engaged in entrepreneurship training (and even starting businesses while still in school) through an initiative called the [National Entrepreneurship Network \(NEN\)](#), cofounded by the Wadhvani Foundation and some of India's leading universities. Another initiative changing the start-up environment is [TATA First Dot, powered by NEN](#), the country's first platform for young entrepreneurs to hone their skills, compete, and secure funding for their start-ups. A decade ago, there were 5 institutes, 30 faculty teaching entrepreneurship, and 200 students in entrepreneurship clubs. Today there are 500 institutes, 1,200 faculty teaching entrepreneurship, and 70,000 students in the NEN. Hundreds have already begun start-ups, with many more in the pipeline.

“Unlocking the full potential
of the U.S.-India relationship”

*Peace through
Entrepreneurship?*

When is the last time that “customized content,” “innovation,” and “Kashmir” were seen in the same sentence? With an emerging confluence of positive factors, we are now seeing Kashmir amidst a new vocabulary of dynamism.

In Kashmir today, 71 percent of the population is under the age of 31 (almost 9 million people), with an [unprecedented section](#) of it interested in engineering, technology, and business. Private enterprise and nongovernmental organizations have recently expressed interest in the state. Google and YouTube visited Srinagar in November, with the aim of improving Kashmiris' knowledge in technology, business, and innovation. Baskin Robbins, which has hundreds of stores around India, opened its first franchise in Srinagar this June. Omar Abdullah, the state's chief minister, has repeatedly invited investors and entrepreneurs to the state, with the assurance that his administration would allay any security concerns.

Such a scenario is a welcome relief from the Kashmir of suffering, of India-Pakistan and army-insurgency conflict, that has existed for the past six decades. When we compare this gradually emerging economic scenario with that of the last three years—when several hundred, mostly young, were killed and the state's economy was more or less closed to the rest of India and the world—it seems that Kashmir today could be making a transition toward greater economic activity. The aim, now, should be to facilitate this nascent transition. Entrepreneurship might be one way of doing so. (*cont'd.*)

In addition to student entrepreneurs, there are also a growing number of players in the entrepreneurial [ecosystem](#). The Indus Entrepreneur (TiE) is the most established one, and the Indian Angel Network, Open Coffee Club, Headstart, Pluggd.in, and Start Up Central (among others) represent the next wave. The most significant accomplishment is that there is now an established pipeline of student entrepreneurs, with a community ready to create and support them—something that has never before existed in India.

Back to Basics

As with most matters concerning India’s dramatic growth story, the basics are still the most important and often overlooked part of the puzzle. While the entrepreneurial ecosystem is starting to grow, there are a number of obstacles to clear before start-ups can flourish in the Indian context.

To put this in a broader perspective, the World Bank and International Finance Corporation’s report *Doing Business 2012*, ranks India at 166 out of 183 countries for ease of starting a business, putting it in the company of the West Bank, Gaza, and Nigeria. In 2011, India ranked the same, demonstrating miniscule improvement in the enabling environment. According to the report, it takes 29 days to register and start a business; it took 89 days to do the same thing in 2004. That is moving in the right direction. The bad news is that India has stayed the same in the following categories: enforcing contracts, dealing with construction permits, and trading across borders.

A Legatum Institute 2011 survey found that Indian entrepreneurs are increasingly optimistic about their country’s future, but this must be juxtaposed against the fact that they are far less approving of the government. Importantly, the top five constraints to starting a business in India are mostly within the purview of the government: electricity, corruption, tax administration, labor regulations, and labor skills. Across industry surveys, the biggest constraint to creating and growing a small business is lack of infrastructure—power, roads, water, and public transportation. Laura Parkin, CEO and cofounder of NEN, explains that a lack of governance is what makes it most difficult for entrepreneurs, and lack of infrastructure disproportionately affects small businesses. According to Parkin, “the cost of backup power equals anywhere from 4 months to 8 months of salary for a junior programmer. That’s a lifetime in a start-up.” Start-ups cannot generally afford to buy backup generators *or* spend hours in the dark.

Endemic corruption is another constant complaint of entrepreneurs. Local officials reportedly request bribes, seek a lengthy list of approvals and licenses, and even cite rules to follow, which they often cannot explain or produce. Hiring lawyers to deal with opaque procedures costs start-ups valuable time and income. The recent protests against corruption might affect local officials’ behavior temporarily, but a sustained effort to eradicate low-level corruption would benefit entrepreneurs and the jobs and economic growth they spur.

GOI Action Needed

If the government of India places a high priority on easing the burden of its latent entrepreneurial workforce, providing basic inputs like reliable electricity and curbing corruption would be the place to start. Venture capital, angel investors, innovation incubators, and programs for skill building all contribute greatly to economic activity, but unless the basic infrastructure exists, the “entrepreneur gold rush” that many foresee for India will take much longer to be realized.

Links of Interest

Karl F. Inderfurth and Theodore L. Eliot Jr., “[The Afghan View](#),” *New York Times*.
Karl F. Inderfurth and Chinmaya Gharekhan, “[What Kabul Needs to Hear From Bonn](#),” *The Hindu*.

Entrepreneurship would provide a productive avenue of employment in Kashmir. Start-ups would not only generate employment, but also provide Kashmiris with solutions to local challenges. The innovative efforts of Mercy Corps are of particular note in this realm. In 2010, Mercy Corps established the Start-up Kashmir Youth Entrepreneur (SKYE) Development Project. Over 30 months, [SKYE](#) seeks to build and catalyze a youth-focused start-up ecosystem in Kashmir. They have already generated employment in the state. Fifty young entrepreneurs, under the mentorship of Mercy Corps Kashmir’s Bees for Business Project, are working toward starting honeybee businesses.

The spirit of entrepreneurship in Kashmir has heretofore been fragile, primarily due to security concerns and a lack of opportunities. A weak entrepreneurial culture partly explains why 48 percent of Kashmiri youth remain unemployed. But with heightened student interest in entrepreneurship, international interest in the Kashmiri market, and an improving security environment, Kashmir could make a transition for the better. Increasing opportunities for entrepreneurship would increase the number of stakeholders for peace in the state. It would provide the state with a much-needed dynamic path forward.

—Abhimanyu Chandra

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