



The Role of Startups Of Food And Beverage Industry In The Development Of Indian Economy

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Abstract:

India is one of the fastest growing economies of the world. Changing consumption pattern of the Indian retail market has been experiencing a significant transformation over the years. Improvement in the economic conditions, exposure to international media, education levels, emergence of information technology leads to development of startup eco-system in India, as a result, Government of India announced 'Start-up India' initiative in the year 2016 to foster innovation and entrepreneurship in the country and to capture the entrepreneurial spirit of the youth. India had emerged as the world's third-largest startup ecosystem as of August 29, 2022, with over 77,000 DPIIT-recognized startups spread across 656 districts (F&B news). Most of these startups are in IT services with almost 15% followed by healthcare & life sciences with over 8%. Agriculture and food and beverages sector together account for less than 8%. Thus, there is good scope for more startups in these sectors.

India's food and beverage industry is getting increasingly prosperous. It accounts for approximately 3% of India's GDP and nearly two-thirds of the country's total retail market. Between 2020 and 2024, income in the food and beverage sector is expected to grow at a CAGR of 14.2%. A USD 1,264 million market volume is also expected by 2024. Numerous factors are driving this expansion, such as growing urbanization, the millennial generation's shifting dietary and lifestyle habits, rising rates of household expenditure, etc. this study suggests that, young entrepreneurs with bright ideas should step up to establish startups, since it offers excellent return on investment for a small initial outlay. As a result, it can significantly lower the unemployment rate.

Keywords: *Startups, Eco-System, Economic development, GDP, Food and Beverage Industry.*

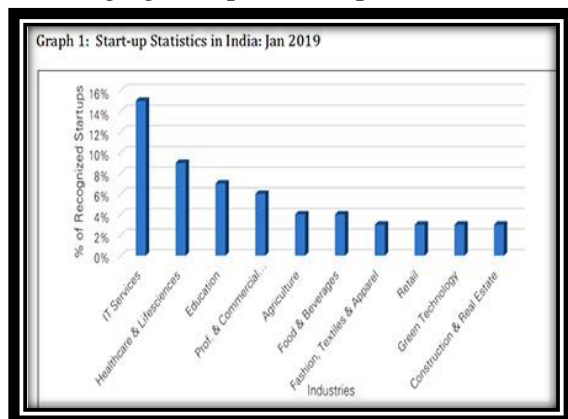
Introduction:

In today's booming Indian economy, startups are more than just a catchphrase; they have the power to revolutionize the country's entrepreneurial landscape and realize the country's aspiration of becoming a 5-trillion-dollar economy. India's startup scene has greatly aided the country's recent economic growth by increasing innovation, output, and employment opportunities. The performance of India's startup ecosystem will have a significant impact on the

country's future because it continues to attract interest and investment from around the globe. By prioritizing sustainability and profitability, startups can eventually contribute to the growth and development of India's economy. The Indian economy is now mostly driven by entrepreneurs, therefore it's important to understand what they think about the role that startups and entrepreneurship play in the country.

The goal of Startup India is to make India prosperous. There are a lot of ambitious people who want to launch their

own business but lack the funding to do so. As a result, the nation misses out on wealth creation, economic growth, and employment opportunities because their ideas, talent, and skills go unutilized. By actively supporting and incentivizing those with the potential to innovate and launch their own businesses at various levels, Startup India will promote entrepreneurship and economic growth. The Indian government has taken a number of steps to ensure that startups receive the proper support because it is serious about encouraging entrepreneurship.



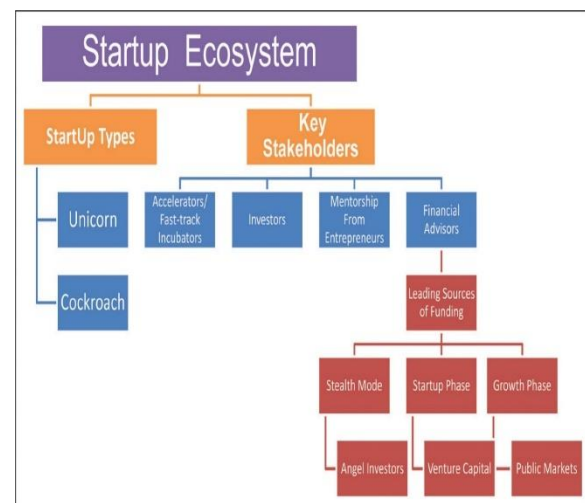
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In this regard, it is pertinent to bring up the "Make in India" campaign, which was launched in September 2014 with the goal of luring foreign investment and enticing domestic businesses to enter the manufacturing sector. To instill confidence in the startups, the government raised the foreign direct investment (FDI) limits for the majority of the sectors and strengthened the protection of intellectual property rights (IPRs). The Government of India (GoI) launched a new campaign in 2015 called "Standup India" with the goal of promoting entrepreneurship among women and aiding startups with bank funding in order to make the nation the top destination for startups.

Startup Ecosystem:

For a startup to materialise there are many components necessary. There are support organisations, big companies and universities along with funding agencies, service providers and research organisations that make it possible for startups to begin. Many ideas, inventions and research can give a boost to startups which may be at different stages with entrepreneurs and startup team members trying to make the startup successful.

The government's Start-up India Action Plan is a critical step in bolstering the nation's entrepreneurial environment. The goal of the action plan is to create a robust environment in India that would support innovation as a driver of job creation and economic progress. The goal is to encourage start-ups in manufacturing, food and agriculture, health, education, and the social sector in addition to those in the IT and service sectors.



The foundation of a successful start-up ecosystem usually consists of appropriate mentorship along with technical and managerial assistance. The following ecosystem stakeholders have the potential to act as catalysts: In order for a business to succeed, it needs the following: (a) accelerators or fast-track incubators to facilitate technology and financial advice as well as provide seed money; (b) investors to

invest in the venture; (c) mentorship from entrepreneurs, which is crucial for developing aspiring business owners by providing stalwarts in the field, especially in critical areas and (d) financial advisors who are the key to providing assistance to target the best source of money at various stages of a start-up.

What is Recognised Startups?

The Department of Industrial Policy and Promotion (DIPP) under the Ministry of Commerce and Industry has defined a start-up as an entity incorporated or registered in India:

1. Till up to 7 years from the date of incorporation¹ and up to 10 years for biotechnology start-ups;
2. If the annual turnover does not exceed ₹25 crore in any preceding financial year and
3. If it is working towards innovation, development, deployment and commercialisation of new products, processes or services driven by technology or intellectual property.²

Thus, if a private limited company under the Companies Act, 2013, or a partnership firm under the Partnership Act, 1932, or a limited liability partnership under the Limited Liability Partnership Act, 2008, is seven years old, it is defined as a start-up under the Start-up India initiative. On the contrary, it will cease to be one after the completion of seven years from the date of its incorporation/registration or if its turnover for any previous year exceeds ₹25 crore (*ibid.*).

Entities are recognized as startups under Startup India initiative by the Department for Promotion of Industry and Internal Trade (DPIIT). 1,16,778 entities have been recognised as startups from across the country by the DPIIT till - Dec-2023.

Year	No. of startups recognised by DPIIT
2016	452
2017	5147
2018	8689
2019	11328
2020	14534
2021	20089
2022	84012
2023	116778

Source: Ministry of Commerce and Industries reports.

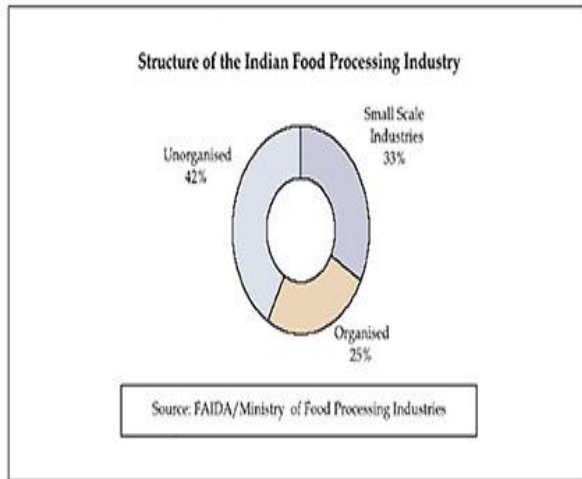
Food and Beverage Startup - Indian Scenario:

Startups involved in food processing will only grow in the near future due to shifting eating and living patterns. India's population is growing by 1.5 crore year, which is the same as adding three New Zealanders or two Israelites annually. In India, 4 billion meals are required daily, making it more desirable for a food business to operate here. Only 25% of the food processing industry in India is in the organized sector; the remaining 75% is made up of small-scale businesses, of which 33% are small-scale firms and 42% are unorganized (FnBnews.com-2019). The transition of unorganized industry to organization is a continuous process.

Major Trends in Food and Beverage Startups:

Private Labels, Change from Products to Services, Innovative Packaging that influences Purchase, and Sustainable Products Trends in Consumption - Health-Consciousness (Low Sugar/Carb, High Protein, and Multi Grains); Natural, Organic & Fresh Produce; Cold Pressed Beverages, Global Cuisines; Ready-to-Cook or Ready-to-Eat Products; Review-based Ordering and Regional Tastes There are also major trends seen in food delivery sectors such as E-Grocery, Restaurant Food Delivery, Food Kits, E-FMCG Food & Semi-Prepared Food.

Graph 3: Food Processing Structure



Source: <http://www.fnbnews.com/Top-News/food-startup-in-india-opportunities-and-challenges-46931>

Review of Literature:

FICCI-IAN Survey on the Impact of Covid19 on Indian Start-ups, (2020), in recent years, startups have encountered new, unforeseen difficulties such as natural disasters, health risks that contribute to the economy's downturn, such as earthquakes, floods, Covid 19, etc. The current pandemic of 2019 has had a detrimental influence on startups in several industries, including lending, fashion, travel, and mobility (Kalogiannidis & Chatzitheodoridis, 2021). The situation in India is similar in that several startups recently had to stop operating. According to a recent FICCI poll of 250 Indian businesses, 70% of the firms reported that Covid 19 had a negative impact on their business.

(Willson, 2021), a team of people working together to help new firms grow is known as a startup incubator. Incubators offer office space, start-up money, mentoring, and training to assist entrepreneurs in overcoming some of the difficulties associated with starting a firm. The sole purpose of a startup incubator is to help entrepreneurs expand their businesses. The ecosystem's dearth of incubators may

prevent businesses from receiving the necessary support.

Sarkar, Abhrajit (2020) Startup India: A New Model for Young Entrepreneurs A conceptual study discussed how a startup requires support and encouragement from various perspectives during its initial phase and then during its growth phase until it is established on solid ground. In India, technology-based startups are very important. The study's limitation is that it is a detailed conceptual analysis of startup India based on secondary data. More research on the prospects and benefits of startup to entrepreneurs can be conducted using primary data and other statistical tools. K. Rajeswari and V. Ambika R. Saranya (2019) discussed the impact of startups on Indian economic growth. In a country like India, the government cannot meet all of the employment needs. Individuals must step forward to assist themselves, given the government's viable business environment. Adam Smith, an 18th century economist and author, discussed the "Invisible Hand" in his book Wealth of Nations, arguing that individuals pursuing their best self-interest would result in greater overall good to society.

N. Bosma, M. V. Praag, R. Thurik, and Wit (2002) presented a comprehensive study of firms that invest in human and social capital to improve performance. They also stated that one cannot be certain whether the favourable aspect is due to investing or partly due to innovative entrepreneurs investing more in their human and social capital. They also discovered that individual entrepreneurs who are more skilled in the industry perform better than others, and they finally concluded that investing in human and social capital improves entrepreneur performance.

Objectives of the Study:

1. To understand the concept of startup eco-system.
2. To examine the characteristics of food and beverage startups.
3. To analyse the role of food and beverage startups on the development of Indian economy.
4. To assess the impact of growth in food and beverage startups market on GDP.

Research Methodology:

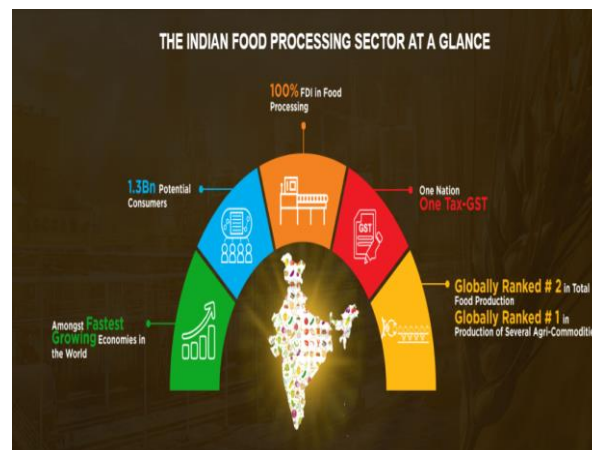
Research type of study is descriptive in nature. The data mainly collected from secondary sources through journals, research articles, Govt. and RBI reports, Startup web Portal etc. to complement the primary sources of data.

Growth of Food and beverage sector in India:

The food and beverage (F&B) sector is one that is always changing. Both big and small businesses are experimenting with new ideas to cater to customers' individual desires. With COVID-19 having a significant influence, consumers have grown more health-conscious and picky about what they buy in stores or acquire online. Many young companies in the food and beverage industry have entered the already extremely crowded market. In addition, as perishable goods, fruits, meat, beverages, etc., require specific storage facilities to guarantee that consumers receive fresh goods before the product's expiration date.

With 161 million hectares of fertile land, India possesses the second-largest area under irrigation. India is the world's second-largest food producer after China and has the most potential to grow in the food and agriculture sectors. Seventy-five percent of the processing units in the business are classified as disorganized. Fruits and vegetables, meat and poultry, milk and milk products, alcoholic beverages, fisheries, plantations, grain processing, and other

consumer product groups like confections, chocolate and cocoa products, soy-based products, mineral water, high-protein foods, etc.

**The Way Forward:**

Numerous organizations have been forced to close their doors due to COVID-19, and startups were no exception. The ecosystem and startups are in a risky position as a result of the pandemic. Many have suffered a fatal blow as a result of running out of money on the one hand and witnessing venture financing dry up on the other. One encouraging development, though, is that many people have switched to a healthy lifestyle after COVID-19 and are gradually embracing healthier diets. Food and beverage startups are proliferating in the market, providing a diverse array of items. The startups need to think creatively and develop something original. Product innovation and distinction are becoming more and more crucial in light of the wide variety of items that are offered for sale through numerous channels. Additionally, in the early days of launch, finding the correct investor can assist build a strong foundation, but it's a question of chance. In-depth market research and psychological customer profiling can be somewhat helpful to new firms.

The government offers loans to businesses and encourages them. However, it has never been easy to find the right investors. The government must keep an eye on the companies and provide funding until

they are well-established. In addition, measures like loosened regulations for public procurement, tax breaks, legal assistance, expedited patent examination at reduced prices, and hosting startup events are some of the things that can promote businesses in the long run. One of the biggest obstacles is product cost. To maintain the profit margin, using perishable goods and organic, long-lasting ingredients requires significant cost, which is ultimately passed on to customers. Conversely, established brands have established a solid foundation in the market.

Burgeoning Food and Beverage startup Ecosystem:

Among the most well-known brands in the F&B industry are Raw Pressery, Paper Boat, Curefoods, Happilo, The Whole Truth, Chai Point, and iD Fresh Food. Thus far, it has given birth to four soonicorns: mCaffeine, Box8, Chaayos, and Country Delight. Based on statistics from Inc42, Indian food and beverage entrepreneurs raised over \$600 million between 2014 and H1 2022, making them one of the best-funded startup subsectors in the e-commerce space. Among the most well-funded companies in this market are Wow! Momo (\$47 million), Curefoods (\$125 million), Paper Boat (\$57 million), Country Delight (\$156 million), and Epigamia (\$50 million). These food and beverage startups use a variety of business approaches.

Role of Food and Beverage Startups in the Development of Indian Economy:

The Indian food and beverage industry's current market size offers significant room for increased profit, which is drawing significant foreign investment. For instance, it is anticipated that F&B revenue will be worth USD 8,325 million in 2021, creating profitable business prospects in India. Additionally, it is anticipated that by 2025, the F&B market would have 346.9

million customers. The user penetration rate has a significant chance of reaching 24.0% by FY 2025. This expansion is being fuelled by several factors, including expanding urbanization, the changing eating and living patterns of the millennial population, rising household spending rates, etc.

Consequently, foreign companies that want to take over India's food and beverage industry. It could understand from this fact that the Indian food and beverage industry offers new business as well as entrepreneurial opportunities for youngsters as well graduates. Hence, the young business minds should come forward to start such business, as it requires nominal investment, and provides very good return on investment. Thereby it can reduce the unemployment issues considerably, make the youngsters and graduates as job providers rather than job seekers.

Let us examine the role of startups in the growth of the Indian economy:

Employment Creation:

Compared to China's 94 million working-age population, India has 112 million individuals between the ages of 20 and 24. India now boasts the third-largest startup ecosystem in the world as of December 23, 2023, with over 1,16,778 DPIIT-recognized firms dispersed throughout 656 districts. More jobs are being enabled by these startups than by larger businesses or corporations in the same industry. reducing the issues associated with unemployment in developing countries such as India.

New Investments:

In order to concentrate on their core capabilities, many multinational organizations are now outsourcing their responsibilities to small businesses. Due to this tendency, numerous international firms and Indian venture capitalists are keeping a careful eye on the development of Indian start-ups in order to allocate their resources.

For instance, Accenture provided 1.35 million dollars in business to startups in the past year, allowing them to have a big effect on the Indian and international markets.

Research and Development:

Because businesses usually deal with high-tech and knowledge-based services, startups in countries like India extensively subsidise research and development (R&D). The R&D staff of the firm seeks out innovations and keeps the business informed. Thus, startups support autonomous research or a practical approach in the academic setting. This encourages academics or students to work with the start-up to implement their ideas, which is more significant because it facilitates the development of strategies for economic growth.

Better GDP:

The global food and fuel costs are likely to drive up inflation, but even so, the Indian GDP is predicted to rise by 6.9% in FY 2022–2023 and 6.2% in FY 2023–2024. Since GDP is crucial to a nation's economic growth, if we continue to encourage and fund more start-up projects, it will be possible to raise domestic income and consumer money will be able to flow across the country.

Democratizing the Technology Benefits:

Many startups not only drive innovation and technology, but also demonstrate how their benefits reach the most remote customers. Fintech startups are now reaching out to remote areas with their solutions and making financial solutions easily accessible in tier 2 and tier 3 cities.

The subtle influence of Startups on the Indian Economy:

- When a startup creates employment for locals, they also begin to purchase goods and services, increasing the influx of cash and revenue to the government and thus boosting the economy.
- When several startups are blooming in one location, the market of that

geography rises as well. Since many individuals desire to reside there to work, this dramatically changes the infrastructural facilities of that city.

- When infrastructure upgrades, numerous guesthouses, homestays, food outlets, and transport service unlocks, creating countless job opportunities and increasing the city's revenue.
- Startups also create innovative solutions and technologies that enhance people's quality of life. Many startups in India are operating in remote areas with the aim to support the overall local community including the economy.
- When Indian start-ups maintain the requirement for a requisite product or service, it reduces the import of that foreign product or service. This not only minimises the cash flow to another nation but increases the flow of capital within the Indian market, which is pivotal to the growth of the Indian economy.

Key Challenges Faced in the Food and Beverage Startups:

Over the past ten years, the food and beverage sector in India has suffered due to a surge in client demands and industry innovation. This multibillion-dollar industry, which moves quickly and is driven mostly by customers, has experienced reform and evolution over the years. This industry, which is driven by shifting worldwide trends, has many difficulties.

- **GST Input Tax Credit**
- **Healthy and Organic Products**
- **Slow product innovation cycles**
- **Product traceability**
- **Data Consolidation**
- **Waste generation**

Conclusion:

Food startups are essential to the future of India since they produce novel and useful products and services that will help

feed the country's 1.42 billion people. Strong ideas and tenacious work are essential to a startup's success, even with the multitude of programs and resources accessible to them. Adopting decisive policy is urgently needed. Startups can survive in the long run by putting the appropriate plans into practice, conducting a thorough study prior to launching any new product, locating the right investor, and, last, hiring the right staff.

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