

A Recent Report By IIT-M And IIM-B Stated That Most Incubators In Gujarat Are Based In Academic Institutes, And Traction Is Relatively Lower In Smaller Cities. TOI Looks At The Startup Ecosystem And Scope For Further Growth

STAR UP CHALLENGE: INDUSTRY SUPPORT, INCUBATION REACH



Parth Shastri & Niyati Parikh | TN



32% of the total incubated startups in India are in the 18-30 yrs age group, 38% in the 30-40 yrs bracket, 30% are above 40 yrs

8.5% of total startups in India are incubated, the rest 91.5% are not

33% of total startups in India are in software, services and manufacturing sector

27% of incubations in Tier II cities of India are into food and beverages, the highest among major sectors

1.2 years is the average time taken to raise first funding for incubated startups. It is 1.6 years for non-incubated startups

72% of startups opt for debt financing in India, highest among all modes

Source: India Incubator Kaleidoscope Report 2024



State is among Top 5 states in India with highest number of startups registered with DPIIT

Gujarat witnessed 56% five-year average growth rate, making it one of the leading states

Gujarat startups have generated 1.1 lakh jobs, boosting local economy

From 2017 to 2021, the state has registered 86% growth in startups with at least one woman director

Gandhinagar and Mehsana are emerging as startup hubs

Gujarat's entrepreneurial landscape is booming, with over 11,000 startups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT) as of Oct 2024. This positions the state among India's top five startup hubs. The growth is primarily driven by sectors such as IT services (28%), food and beverages (27%) and agriculture (16%), generating more than 1.10 lakh jobs annually. However, the state lags behind other centres in terms of high-value startups and institutional investors, as indicated by figures related to deals and investments in India.

A recent report, "India Incubator Kaleidoscope 2024", highlighted that among Tier I cities, Ahmedabad had the third-highest concentration of academia-based incubators at 72%, trailing only Chennai and Kolkata. In contrast, the share was significantly lower in Gurugram (11%), Bengaluru (27%), and Mumbai and Pune (44%), where 50% or more incubators were associated with industry. For Tier II and III centres in Gujarat, the incubators were predominantly academia-based, with shares of 100% and 86%, respectively. In all, out of 90-odd incubators, 78% were in Tier I, 7% in Tier II and the rest 15% in Tier III centres, the report mentioned.

The report also noted that Gujarat has a lower incubation rate compared to the national average of 8.2%. "(Gujarat) has a lower incubation rate than the national average. We might attribute this to the possibility that the knowledge of starting a business is so pervasive that the need for incubation may be low," the report mentioned.

Reflecting on the findings, Prof Satya Ranjan Acharya, director of the EDII-based incubator Cradle, said that the report identifies the need for incubators as it provides credibility and a support system that helps the ventures secure institutional funding. "For states like Gujarat, it is true that the majority of the incubators are based in academia and comparatively industry-backed incubators have better results primarily due to access to resources," he said. Prof Acharya added that entrepreneurship was not just about real estate but also about the type of skillsets and handholding support. "Like everywhere else, startups in Gujarat are also concentrated in major cities, but some initiatives are in place to promote Tier II and III centres," he added.

Hirannmay Mahanta, CEO of iHub, the incubator with the state education department, said that to address the academia-industry connect, several initiatives have been taken, like collaborating with state PSUs for problem-solving. "Hackathons and mentorship initiatives ensure that the entrepreneurs get the industry perspective. We have good presence in Tier II and III centres, and several ideas have been promoted and funded," he said.

Sunil Parekh, co-founder of TechXchange, said that new-age technology like the Internet of Things (IoT) was missing from Gujarat's startup mix. "While we are good at adopting technology, there's a need for a mindset shift in the corporate sector. With greater industrial support, I believe Gujarat can foster unicorns of its own," he said.

(With inputs from Parag Dave)

TOP 10 MOST FUNDED STARTUP HUBS (2014 TO H1 2024)

H1: FIRST HALF; SOURCE: INC42

City	Deals	Funding (\$ bn)
Bengaluru	3,549	70
Delhi NCR	2,925	44
Mumbai	1,912	20
Pune	373	5
Hyderabad	365	3
Chennai	359	4
Ahmedabad	153	0.9



CHALLENGES & SOLUTIONS

LIMITED USE OF INCUBATORS:

The report points out that startups in Gujarat, especially in Tier II and III cities, often seek incubation in Tier I cities. This could be due to lack of local incubator capacity or the appeal of more established incubators in larger cities



NEED TO DIVERSIFY:

While Gujarat's incubators are likely to support traditional sectors like manufacturing and food processing, there is a need to diversify and encourage more tech-based and innovation-driven startups



NEED FOR CAPACITY-BUILDING:

There is an opportunity to enhance the capacity and capabilities of incubators in Tier II and Tier III cities within Gujarat. Strengthening these incubators could help local startups access the support they need without having to relocate to Tier I cities

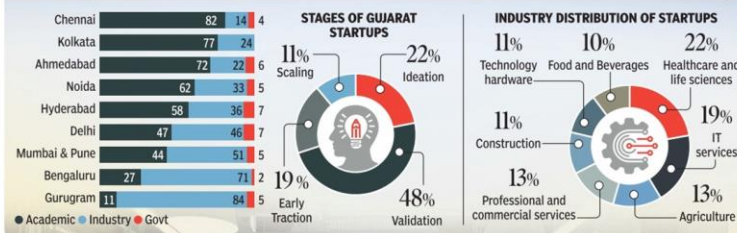


ENCOURAGING INDUSTRY-DRIVEN INCUBATORS:

The move can help commercialise innovations more effectively, especially in sectors like food processing, agriculture, textile, machine tools etc. which have significant startup activity in Gujarat



COUNTRY'S STARTUP LANDSCAPE



KALEIDOSCOPE REPORT 2024

KEY TAKEAWAYS: While Gujarat has a robust startup culture, there is scope for enhancing the role of incubators, particularly in reaching underserved areas. Industry intervention can go a long way in complementing academia-heavy approach

HIGH STARTUP ACTIVITY: Gujarat is among the top-performing states in terms of the number of startups

LOW INCUBATION RATE: Despite the high number of startups, Gujarat's incubation rate is lower than the national average of 8.2%. This suggests that many startups in Gujarat may not leverage incubation services as much as startups in other states. One reason could be that entrepreneurs in Gujarat are already well-versed in starting and running businesses, thus reducing their perceived need for incubation

MANUFACTURING AND FINANCE HUB: Gujarat's incubator ecosystem is particularly active in manufacturing and finance. Sectors such as AI, machine learning and biotech are emerging with incubation support, but the state's strength remains in non-tech sectors

"We have come a long way from explaining what a startup is to having a diverse bunch of entrepreneurs making it big in sectors ranging from space tech to health tech. The need of the hour is to ensure low mortality rate with intervention at the right juncture, and improve incubation reach

Prof Satya Ranjan Acharya | DIRECTOR, CRADLE

"The average age of the applicants during a recent incubation pitch was about 30 years, indicating that the sector is maturing. Gujarat has robust system of funding to accelerate, but when startups grow beyond a limit, their requirements in terms of market and value chain are different and thus they migrate to bigger centres

Srinivasa Rao Sureddi | CEO, GUSEC

"In places like Bengaluru, industrial mentorship and support for startups have propelled them into the global Top 25. We need similar engagement here in Gujarat. On the supply side, we have infrastructure, funds and knowledge, but there is a gap in the scale and quality of industrial involvement

Sunil Parekh | CO-FOUNDER, TECHXCHANGE

"The incubation centres in the state work in isolation and overall industry involvement is low. It should be increased to ensure startups get more exposure and guidance from industry. Many prototypes are theoretically right, but they should be fit for industry, and it will only happen with continuous industry support

Kamal Bansal | MD, GVFL

